



October Macro Brief

Energy supply pressures

October 31, 2024



About this document

The monthly brief is intended to inform executive teams, boards and investors on the state of the economy. It has been prepared based on data as of **October 28, 2024**.

Each brief includes a summary of global business-relevant macroeconomic developments, and a set of indicators that track the overall health of the economy, business activity and consumers.

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September : The cost of living squeeze
July: Normalizing labor markets
June: Manufacturing health check
May: Trade skirmishes

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Executive Summary



October 2024

Executive Summary

Global themes

- **Global economic growth remains broadly stable but moderate, with distinct regional challenges:**
 - The US continues to see disinflation, resilient consumer spending and healthy job growth, though uncertainty is high in runup to election
 - Germany’s economy remains largely stagnant, weighing on Euro area growth, while the UK continues to surprise to the upside
 - China is still struggling with structural challenges, while the rest of emerging Asia has seen a boost from rising tech and AI demand
- **Geopolitical tensions and the threat of prolonged conflict in the Middle East remain a concern for supply chains, particularly heightening risks for energy markets that are already quite volatile.** Alongside these supply-side risks is a boom in energy demand from increased investment in data centers, which highlights significant shortfalls in energy infrastructure and supply across regions.
- **The prospect of persistent energy supply volatility, whether from geopolitical conflict or climate events, could further impede efforts to tame inflation, complicating central bank policies and potentially reversing recent progress in stabilizing prices.** This also puts added pressure on governments globally who are trying to strike the difficult balance between reining in post-pandemic fiscal overhangs, alleviating cost-of-living pressures, and pursuing industrial and other geopolitically-motivated policies.

Regional highlights

Americas	Europe, Middle East and Africa	Asia-Pacific
<ul style="list-style-type: none">• The US has become more resilient over the past decade to energy disruptions in the Middle East due to greater supply independence• Data center development is straining US electricity grids, putting pressure on utilities to generate enough capacity to cover rising demand	<ul style="list-style-type: none">• The EU continues to struggle with high energy prices and volatile natural gas supply• Some countries in Europe are better equipped to withstand energy crises, particularly those with robust renewable and nuclear energy infrastructure• A Strait of Hormuz closure could threaten Saudi Arabia’s economic transformation	<ul style="list-style-type: none">• Asia is likely to be disproportionately impacted by escalation of Middle East conflict due to a high dependence on energy imports via the Strait of Hormuz• Southeast Asia’s investment gap in electricity infrastructure leaves it particularly exposed to risk of energy supply disruptions

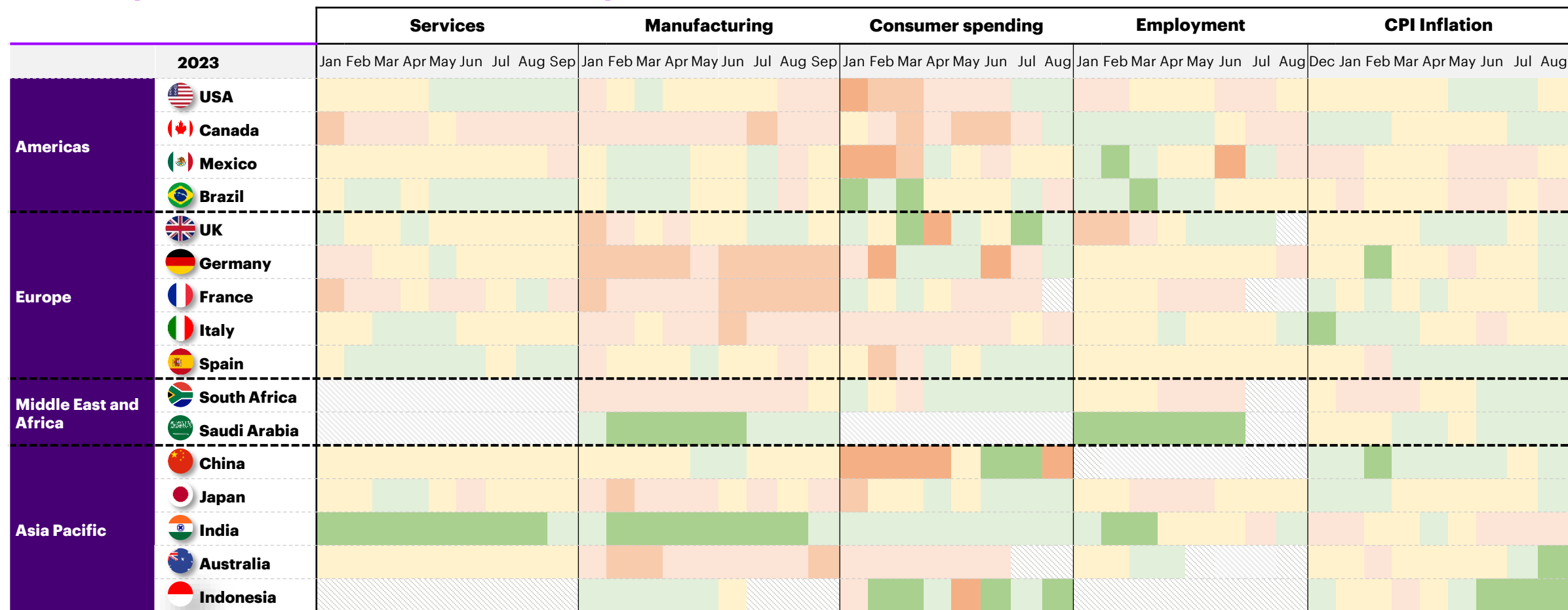
Key considerations and priorities for clients

- **The US election could significantly impact energy markets, sustainable energy solutions, and overall supply chain policy in the coming years**
 - Changes in trade policies and tariffs could affect import/export costs, particularly for companies reliant on energy-intensive imports
 - Policies enacted post-election could force businesses to reallocate resources and reassess supply chains to be most cost-effective
- **Companies may need to adjust supply chains to protect against future energy shocks, including investing in technology that enhances overall visibility and enables swift adjustments when disruptions do occur.** Best practices should involve scenario planning exercises to implement robust contingency plans, including awareness of critical energy supplies and resilience for logistics networks. Corporations that proactively adjust strategies to align with emerging policies could not only mitigate risk but also leverage new growth opportunities in an evolving market.

Recent data shows growing services output in most regions, sluggish manufacturing activity, healthy consumer spending, and continued disinflation

Country economic momentum snapshot

AS OF OCTOBER 28



= data not available

 40

 60

 40

 60

 -5%

 10%

 -0.4%

 0.5%

 15%

 0%

Notes: Services and Manufacturing metrics refer to PMI services activity and PMI manufacturing output as provided by S&P Global and may include preliminary "flash" figures, shading is based on most recent result. South Africa and Saudi Arabia manufacturing numbers refer to the whole economy. Mexico Services refers to Business Climate Index: Non-mfg. Consumer spending shading based on real retail sales growth 3MMA percent change except for Australia which is based on Q/Q % change and India which is based on 3MMA of Y/Y% change. Employment growth is derived from employment figures as provided by government authorities. CPI uses harmonized figures for Euro Area countries.

Sources: S&P Global, Haver Analytics, Accenture Strategy analysis

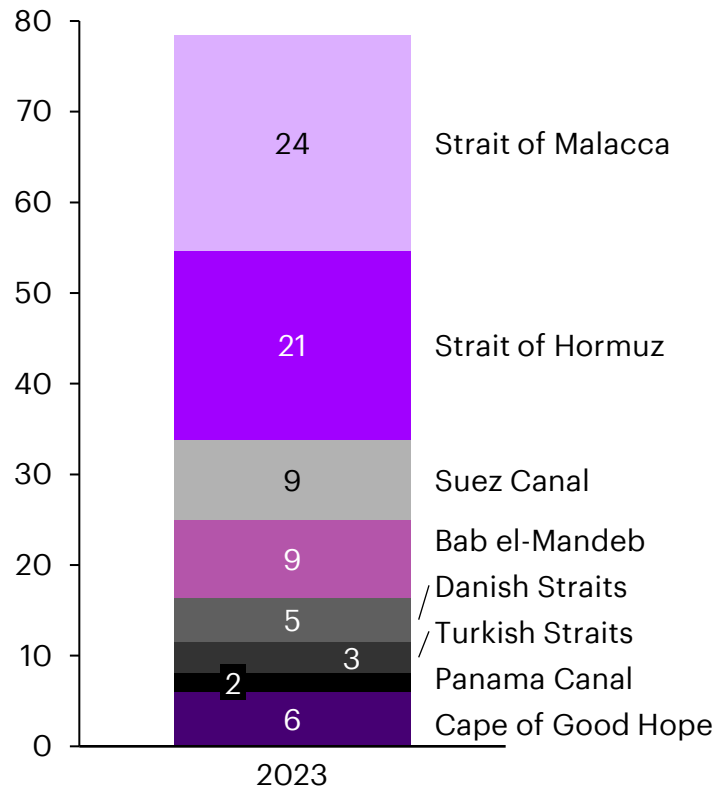
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Escalation of conflict in the Middle East could place up to 30% of global oil and gas supply at risk in a scenario where the Strait of Hormuz faces prolonged closure

Middle East share of global oil and gas exports

Key chokepoints for global crude oil trade

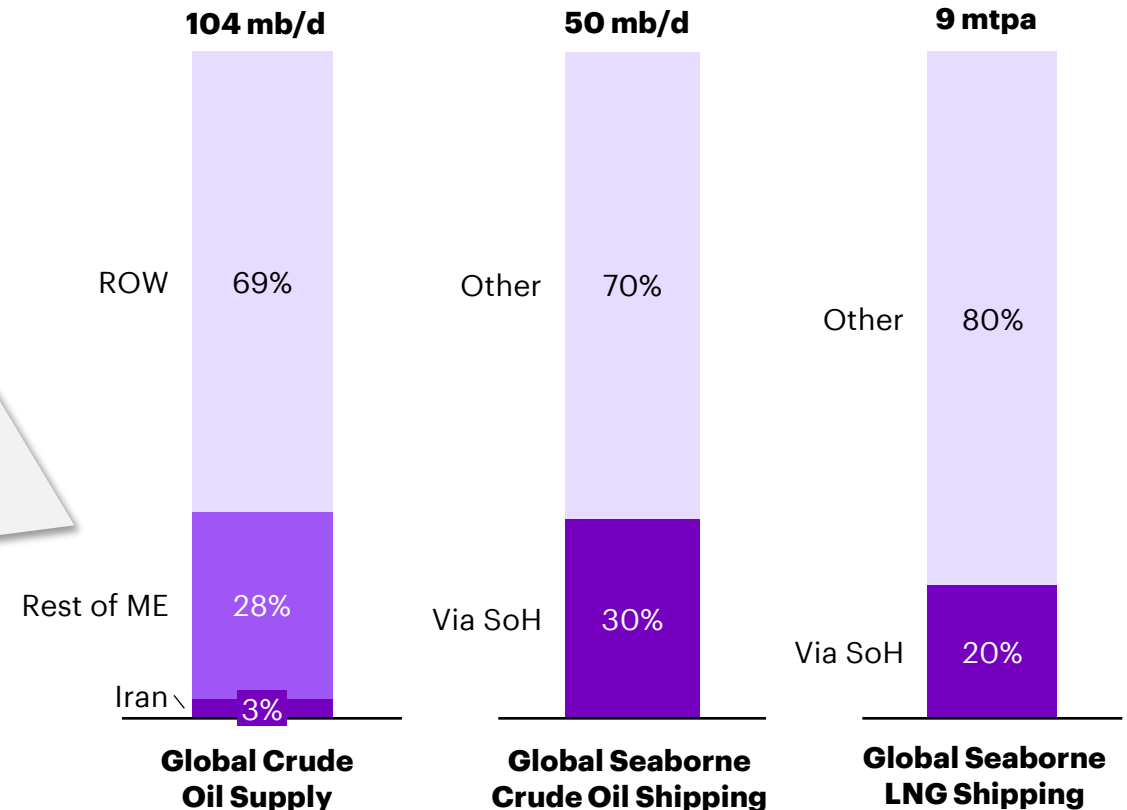
Million barrels transported per day



- Between spare crude oil production capacity in OPEC and non-OPEC countries and worldwide strategic petroleum reserves, there are roughly 10 mb/d that could be mobilized in short term to replace lost volumes from Middle East
- This helps limit upside risk to oil prices, barring more extreme scenarios of very large supply disruptions
- Market for natural gas is much tighter, however, with greater risk for price swings

Energy supply & flows at risk from Strait of Hormuz (SoH) disruption

Daily supply flows and percentages of total

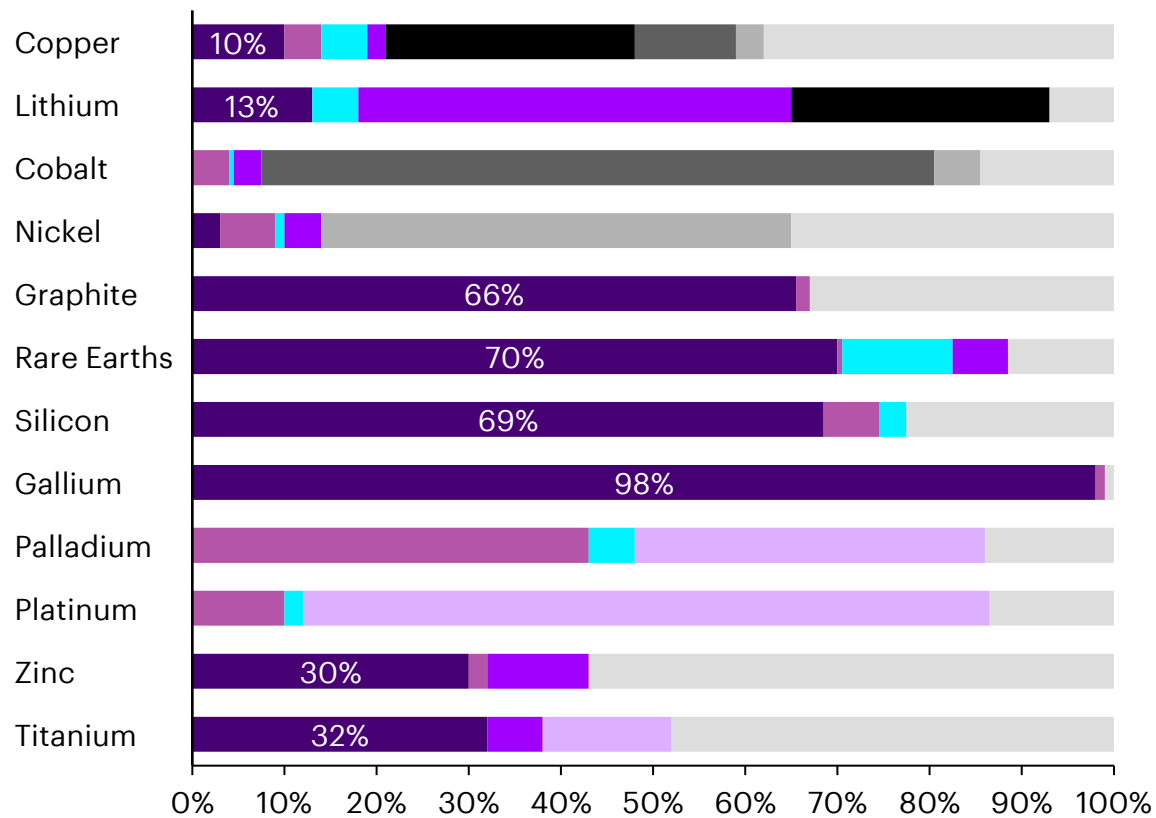


Critical minerals for gas turbines and various renewable energy generation could also come under supply pressure if China restricts their export as part of an intensifying trade war

China's global dominance in key critical minerals

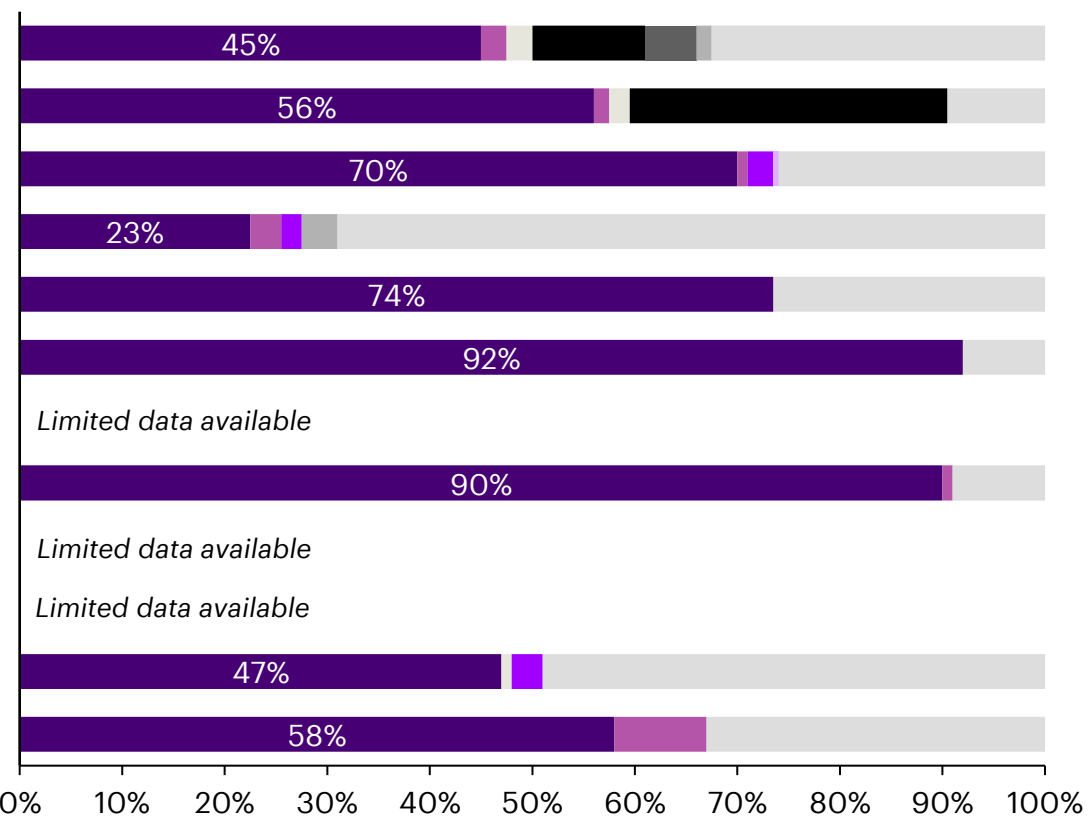
Global mining (extraction)

Percent of total



Global refining and processing

Percent of total

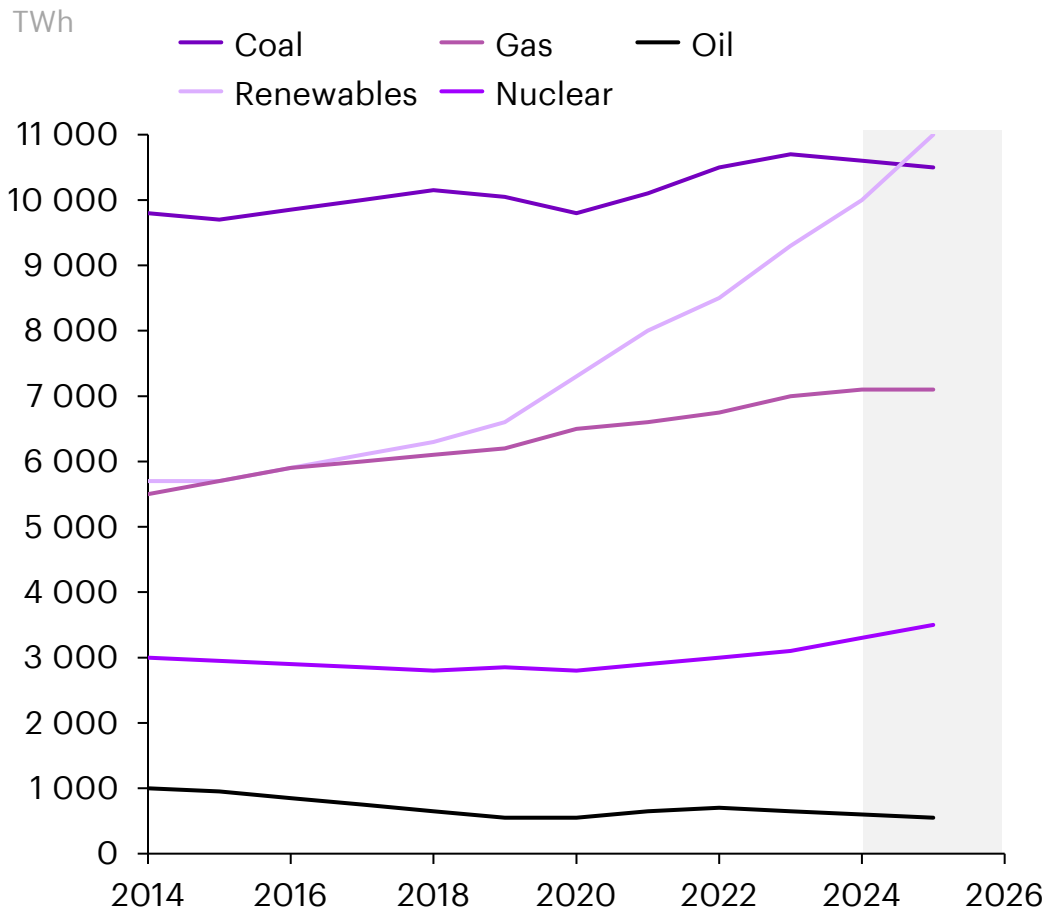


China Russia US Australia South Africa Chile DRC Indonesia Rest of World

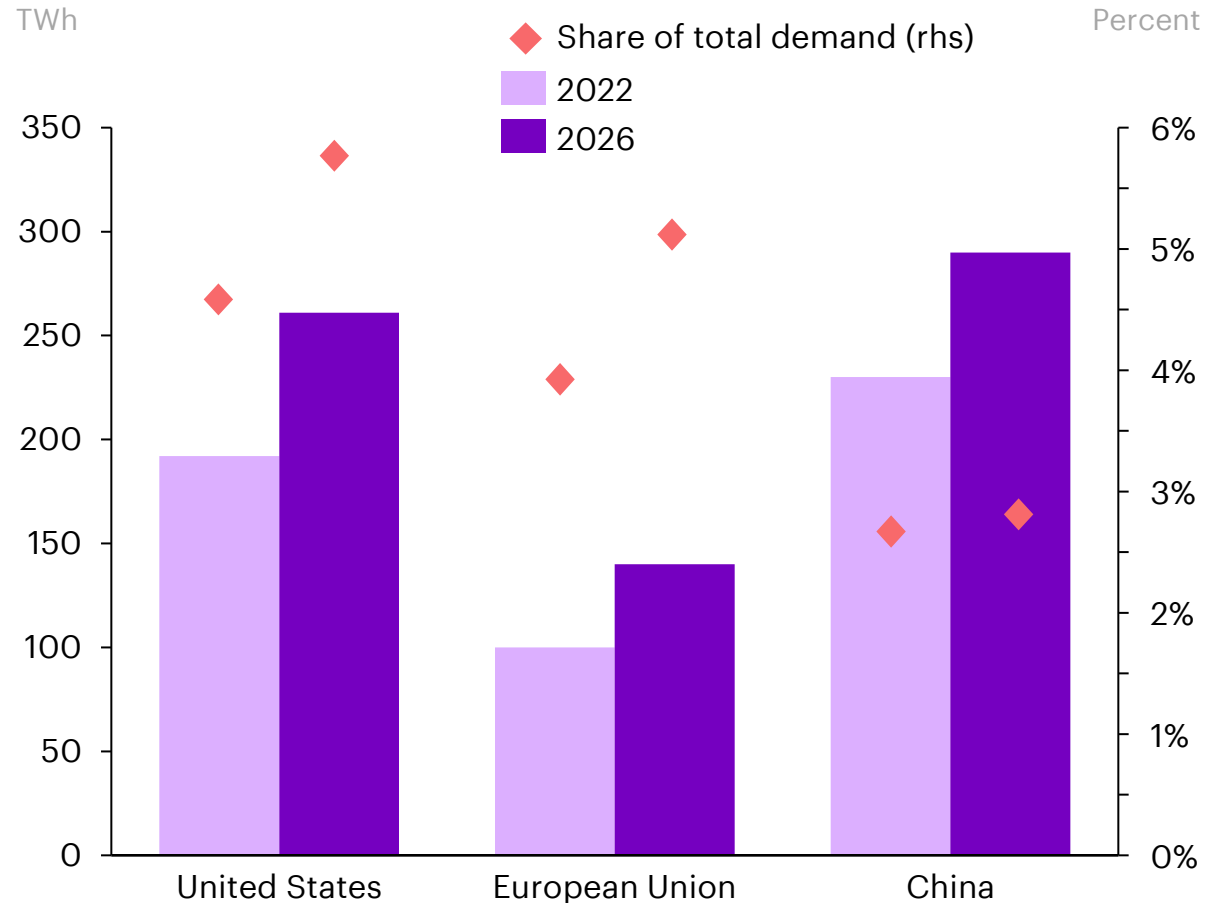
Even in scenarios where energy supply disruptions can be mitigated and capacity expanded, supply may still struggle to keep up with surging data center power needs

Data center-driven growth of global electricity demand

Global electricity generation by source











Estimated data center electricity consumption



A consumer-led growth downshift alongside slowing inflation remains base case for the US economy; continued stagnation or sluggish recoveries are most likely throughout Europe

Latest economic outlooks: Americas and Europe







AS OF OCTOBER 28

		Key recent datapoints	Base case outlook	What to watch for
Americas 	 US	<ul style="list-style-type: none"> Real GDP growth rose 2.8% in Q3 (vs 3% in Q2), reflecting strong private goods consumption Retail sales rose 0.3% in September, reflecting a still-resilient consumer Headline CPI decelerated to 2.4% YoY in Sept, while core CPI ticked up slightly to 3.3% 	<ul style="list-style-type: none"> Expectations for moderate growth and slowing inflation, but subdued real wage growth and cost fatigue will likely drive a downshift in consumer spending in the coming quarters 	<ul style="list-style-type: none"> Future pace of Fed rate cuts, which will remain data dependent Consumer spending inflection, led by lower-income households Increasing policy uncertainty related to the presidential election in November
	 Canada	<ul style="list-style-type: none"> The Bank of Canada announced a 50bp rate cut, the fourth consecutive rate cut since June CPI inflation held steady at 2.4% YoY in Sept, while headline CPI dropped to 1.7% 	<ul style="list-style-type: none"> The lagged impact of higher interest rates on household interest payments is expected to keep consumer-led growth muted in the near term 	<ul style="list-style-type: none"> Another 50bp rate cut in Dec is not off the table as growth remains weak Changes in immigration policies could have a notable impact on growth
	 Brazil	<ul style="list-style-type: none"> Inflation accelerated again in Sept to 4.4% YoY, holding well-above the central bank's 3% target as energy & food prices remain a concern 	<ul style="list-style-type: none"> Resilient growth marked by strong labor market activity despite above-target inflation and external factors such as severe droughts 	<ul style="list-style-type: none"> Additional policy tightening as the central bank targets high inflation Ongoing uncertainty regarding planned tax reforms and overall fiscal trajectory
Europe 	 UK	<ul style="list-style-type: none"> Retail sales rose 0.3% in Sept due to a boost from tech (new iPhone) sales Inflation dropped sharply in Sept, from 2.3% to 1.7% YoY, driven by falling transport prices 	<ul style="list-style-type: none"> Improving but-still sluggish growth expected for rest of the year amidst ongoing manufacturing weakness and housing affordability pressures on consumers 	<ul style="list-style-type: none"> Timing of BOE rate cuts given loosening labor market and falling inflation Change to fiscal policy path in aftermath of general election
	 Germany	<ul style="list-style-type: none"> Q3 GDP unexpectedly rose 0.2% QoQ (after contracting -0.3% in Q2) CPI inflation rose to 2.4% in Oct from 1.8% in Sep October flash PMI signaled ongoing economic struggles, with services barely growing and manufacturing in continued deep contraction 	<ul style="list-style-type: none"> Low consumer sentiment, divided economic expectations, high policy uncertainty, volatile manufacturing orders, and declining employment expectations are placing mounting pressure on Q4 growth outlook 	<ul style="list-style-type: none"> Signs of a continued PMI recovery, as well as signals from the ECB for interest rate cuts in December Ongoing coalition instability as disputes over economic reforms persist
	 France	<ul style="list-style-type: none"> Olympics boost drove GDP growth of 0.4% in Q3 The flash composite PMI dropped to 47.3 in Oct, falling short of expectations, as demand declined sharply, particularly in manufacturing 	<ul style="list-style-type: none"> The French economy continues to struggle due to weak business sentiment and deteriorating public finances weighing heavily on the nation's creditworthiness 	<ul style="list-style-type: none"> Government's ability to deliver sustained deficit reduction measures Manufacturing sector facing declining production, orders, and employment

APAC economies are expected to continue to diverge as India and Indonesia expand but Australia and others face sluggish demand and inflationary pressures

Latest economic outlooks: Asia-Pacific

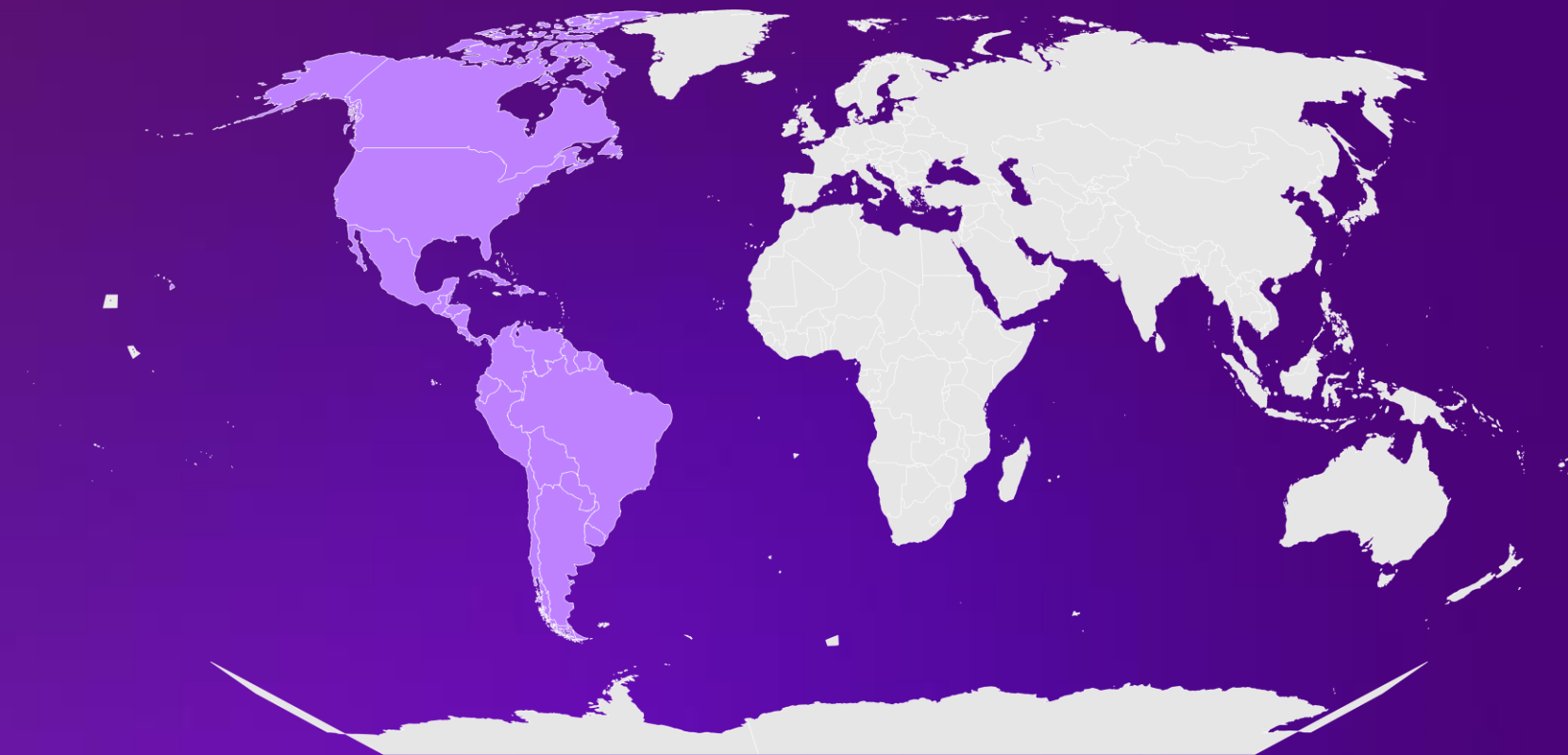
AS OF OCTOBER 28

		Key recent datapoints	Base case outlook	What to watch for
Asia Pacific 	 China	<ul style="list-style-type: none"> The PBOC lowered the one-year loan prime rate from 3.35% to 3.10%, following 10bp cut in June Beijing announced plans to help local governments tackle debt problems, offer subsidies to people with low incomes, and support the property market 	<ul style="list-style-type: none"> Growth continues to trend down towards the slower (3-4%) potential rate due to China's materializing structural challenges Subdued consumer confidence amid property sector challenges, soft external demand and limited policy stimulus in the near-term 	<ul style="list-style-type: none"> Extent of government policy intervention (monetary and fiscal) to support the distressed property sector and prop up flagging growth Export performance in targeted "New Three" sectors (EV, batteries, solar)
	 Japan	<ul style="list-style-type: none"> Core inflation was up in October to 1.8%, staying below the BoJ's 2% target The services flash PMI dipped below 50 in October for the first time in two years Yen showed signs of weakness after new prime minister Ishiba toned down his hawkish view 	<ul style="list-style-type: none"> GDP growth is expected to remain sluggish in 2024 as negative real income growth continues to weigh on domestic demand and export demand moderates 	<ul style="list-style-type: none"> Degree of moderation in tourism and auto export growth, especially given the volatility of yen Growing optimism from business and consumer on domestic spending, supported by real wage growth
	 India	<ul style="list-style-type: none"> India's flash services PMI declined for the third consecutive month in Oct, while manufacturing rebounded slightly, with both still above 50 IMF retained India's GDP growth at 7% for 2025 	<ul style="list-style-type: none"> Some moderation in growth amidst slowing global demand, but still enough to maintain India's position as one of the fastest-growing major economies in 2024 	<ul style="list-style-type: none"> Resilience in domestic demand, particularly the growth of capital investment New Modi government budget allocation and policy directions
	 Australia	<ul style="list-style-type: none"> The manufacturing flash PMI continues to fall amidst soft demand, dropping to 43 in Oct The services flash PMI held steady at 50.6 in October, remaining above 50 for the ninth consecutive month 	<ul style="list-style-type: none"> Growth is likely to remain subdued as cost-of-living pressures and higher-for-longer interest rates continue to weigh on domestic demand 	<ul style="list-style-type: none"> Wealth effects from recent house price increase on consumer spend Extent of imported inflation as the Australian dollar continues to weaken
	 Indonesia	<ul style="list-style-type: none"> IMF retained Indonesia's GDP growth at 5% for 2024, though the new Joko Widodo government is targeting 8% growth in his first term 	<ul style="list-style-type: none"> Growth is expected to be resilient in 2024 as inflation pressures ease slightly and consumer spending remains relatively strong Headwinds remain from slowing external demand and persistently elevated interest rates 	<ul style="list-style-type: none"> Potential economic policy shifts from President Joko Widodo Continued measures to manage sluggish external commodities demand and inflation in food prices



Spotlight developments

Americas

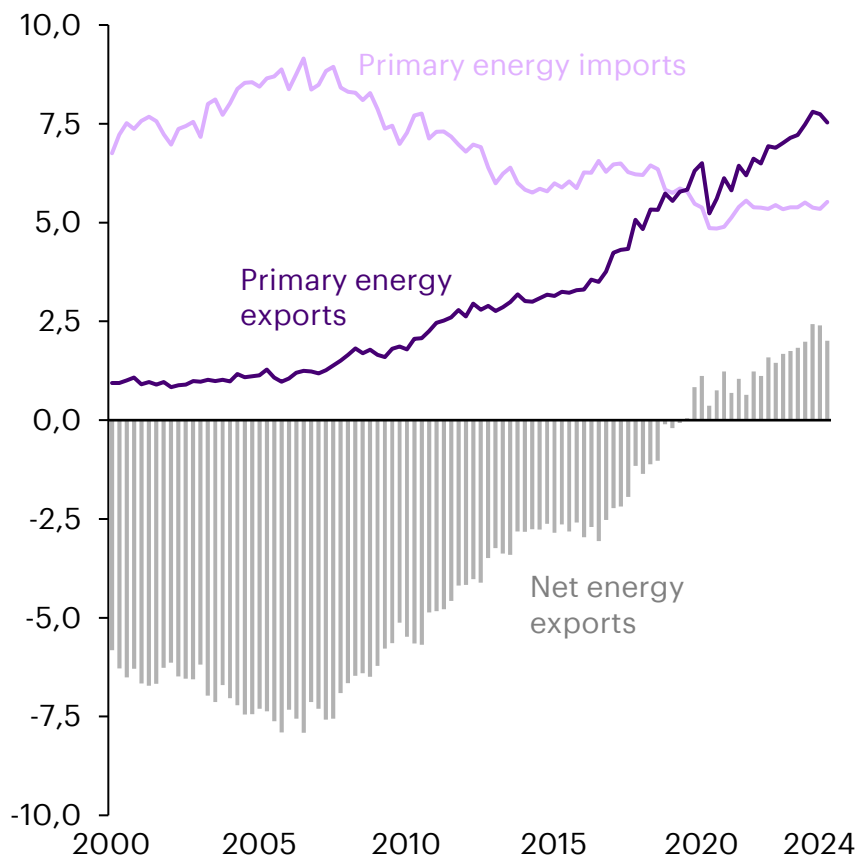


The US has become more resilient to energy disruptions stemming from the Middle East due to increased domestic oil production and rising status as a net energy exporter

US primary energy trade and oil imports

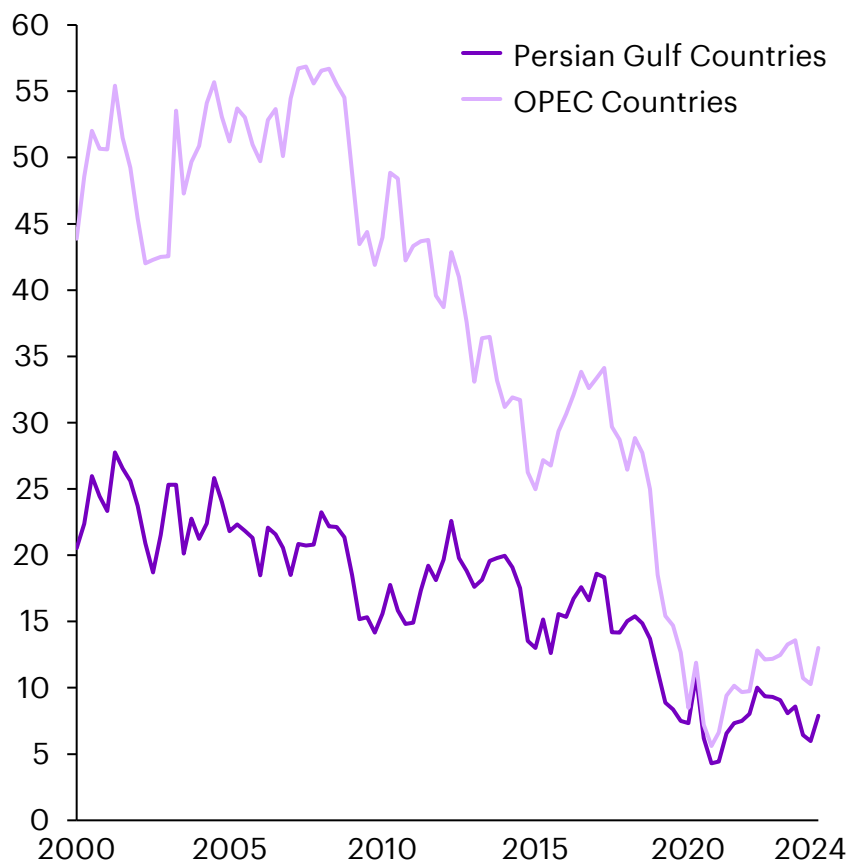
US imports and exports of primary energy

Quadrillion btu



US imports of crude oil by origin country

Percent of total



Implications for corporates

- The next US administration could be crucial for domestic energy production and renewable energy investments
 - Policies that favor increased oil production might ease energy price volatility and supply chain costs in the short term
 - Support for renewable energy and infrastructure investment could make supply chains more resilient over time, but may be more costly upfront
- Lower energy costs are likely to stimulate greater demand from other sectors, such as transport, manufacturing, and technology (data centers)

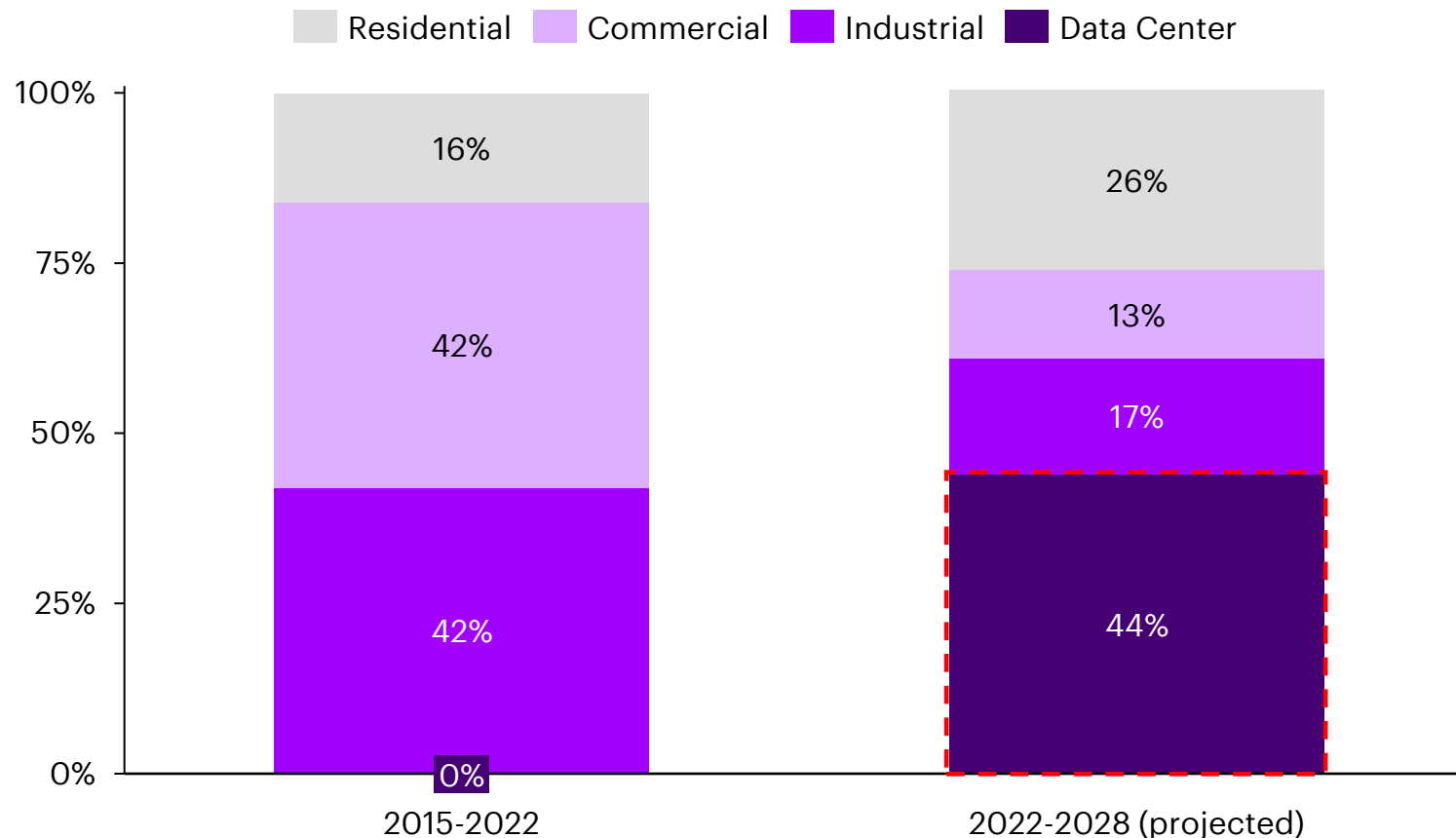


Increased data center development is straining electricity grids in the US, putting pressure on utilities to generate enough capacity to cover rising demand

Rising energy demand from US data centers

Drivers of US electricity load growth by customer segment

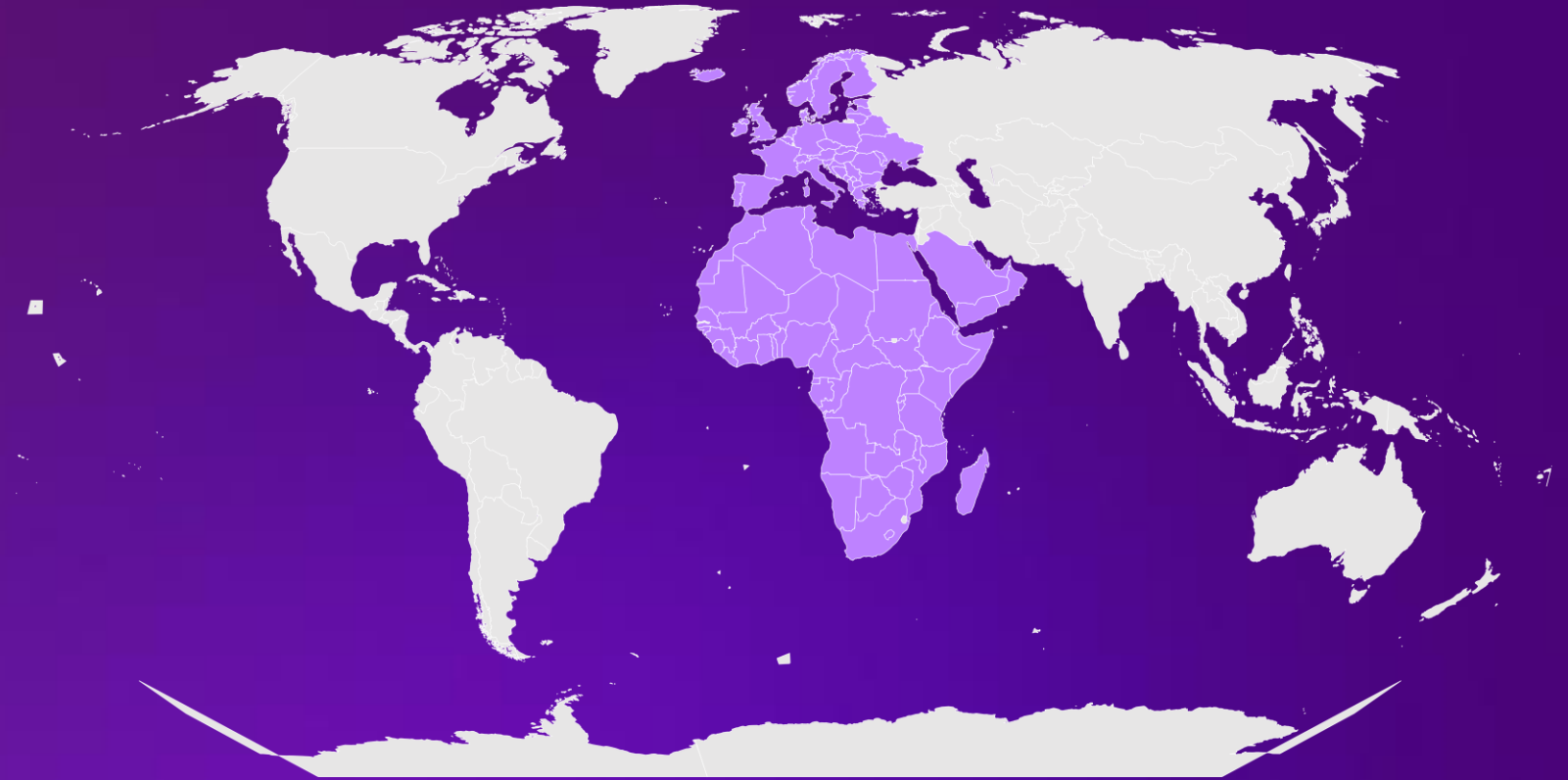
Contributions to total load growth over time period



Implications for corporates

- Data centers are placing significant new demands on the electric grid, and utility companies will need to invest heavily in expanding capacity to meet demand requirements
- Funding of these infrastructure investments is likely to lead to higher electricity prices for all customers and particularly detrimental to household and non-data center businesses
- Utilities need to rapidly expand renewable energy capacity and integrate it effectively into the grid to meet data center needs and sustainability targets
- Significant investments in grid modernization, renewable energy, and energy storage solutions are crucial to ensure grid reliability

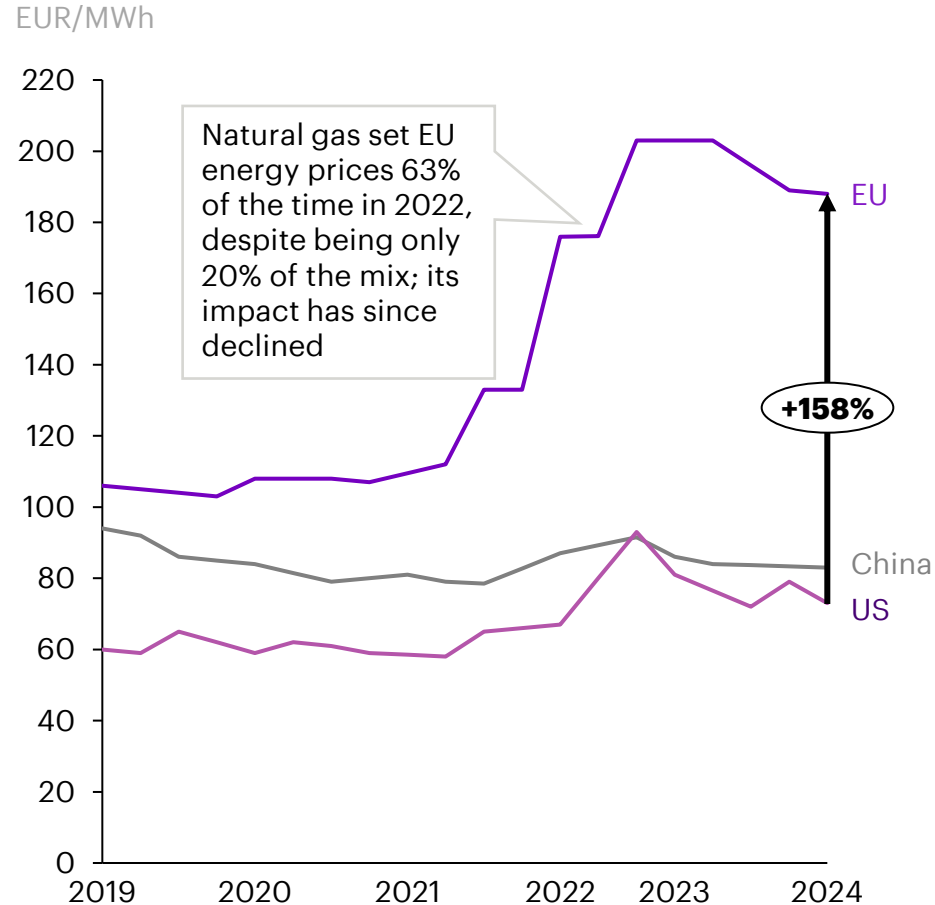
Europe, Middle East and Africa



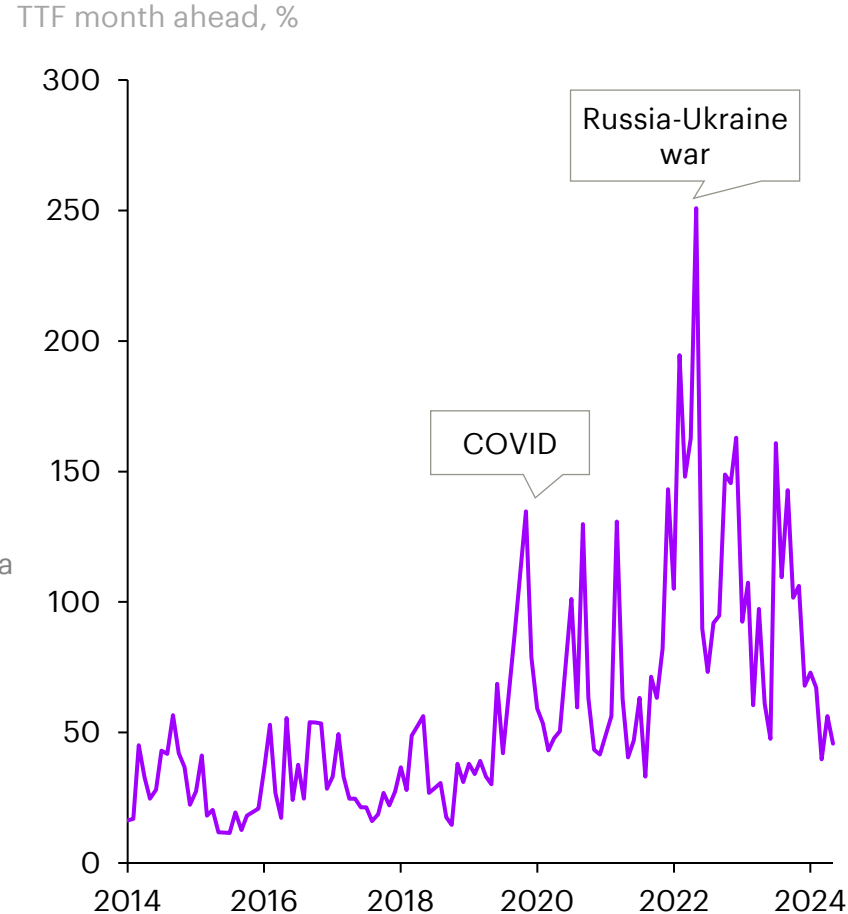
Elevated energy costs and volatile natural gas markets are eroding the EU's economic competitiveness relative to other major economies

Competitiveness of European energy prices

Industrial retail power prices



Volatility of natural gas prices



Implications for corporates

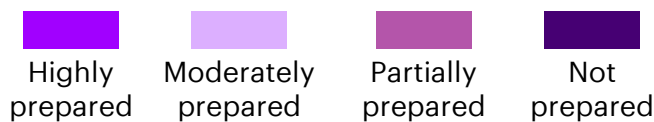
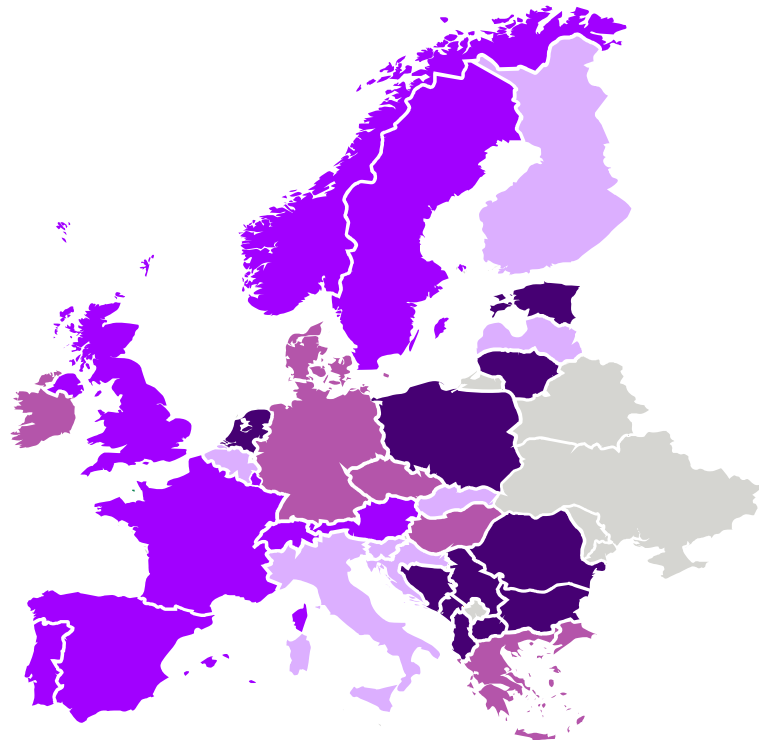
- Both high and volatile energy prices severely impact Europe's location competitiveness particularly in energy-intensive industries, incl. chemicals, steel and resources
- It creates vulnerability for downstream businesses reliant on inputs from these energy-intensive industries
- European firms face heightened risks to energy price shocks, with volatile gas prices driving electricity costs over half the time
- Lack of competitive power price in Europe also reduces the region's attractiveness for investment in "future industries" including green manufacturing and data centers

European countries with a greater share of non-fossil fuel power generation and advanced grid transition are less vulnerable to risks from external energy market disruptions

Grid transition and energy mix

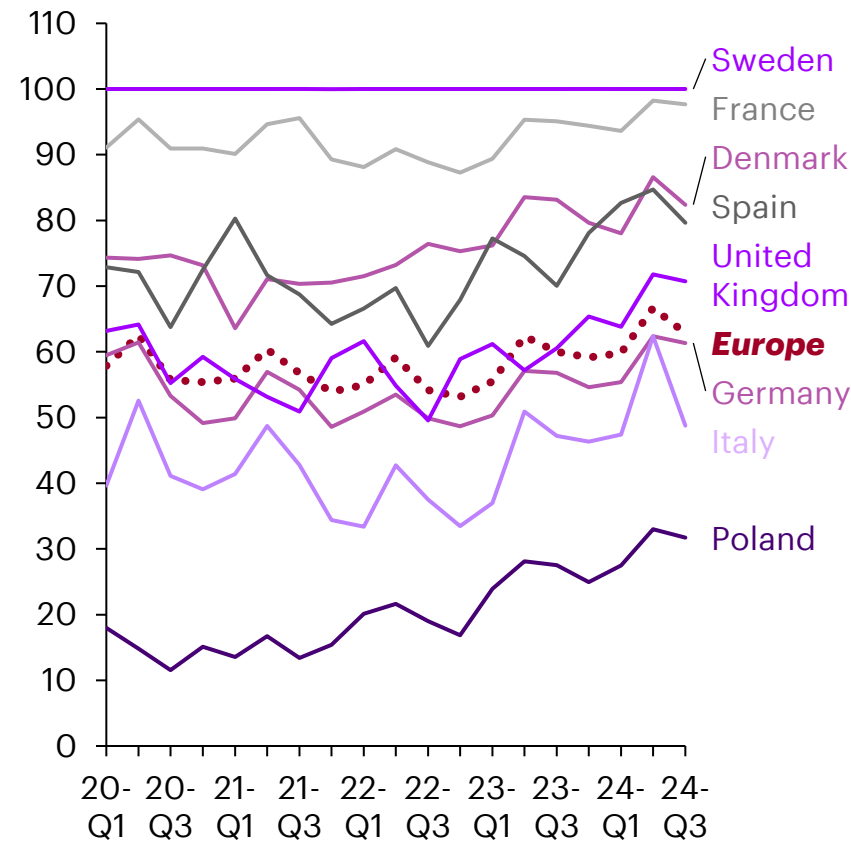
Grid transition index

Index, expected adoption of renewables and new grid tech



Share of renewable and nuclear power generation

Percentage of total electricity generation



Implications for corporates

- Share of non-fossil fuel (renewable and nuclear) in electricity generation varies substantially across individual European countries
- Grid readiness is key to accelerating renewables adoption and strengthening energy security against potential price shocks in oil/gas market
- Companies, particularly in energy-intensive sectors, have an incentive to prioritize investment decisions in European countries that provide enhanced grid infrastructure and a reliable supply of renewable energy

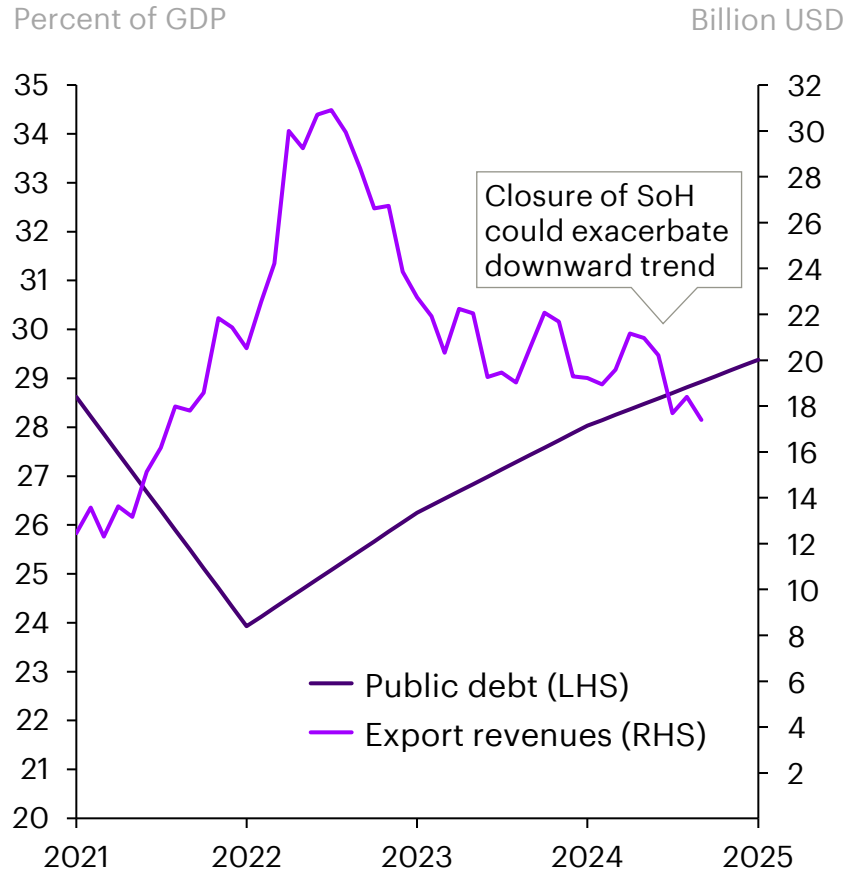
Notes: (1) The Index highlights differences in the expected adoption of renewables and new grid technologies, as grids need to integrate large volumes of intermittent renewable energy, (2) Renewables include: Bioenergy, Hydro, Other Renewables, Solar, Wind

Sources: Globsec, Ember, Eurostat, Accenture Strategy analysis

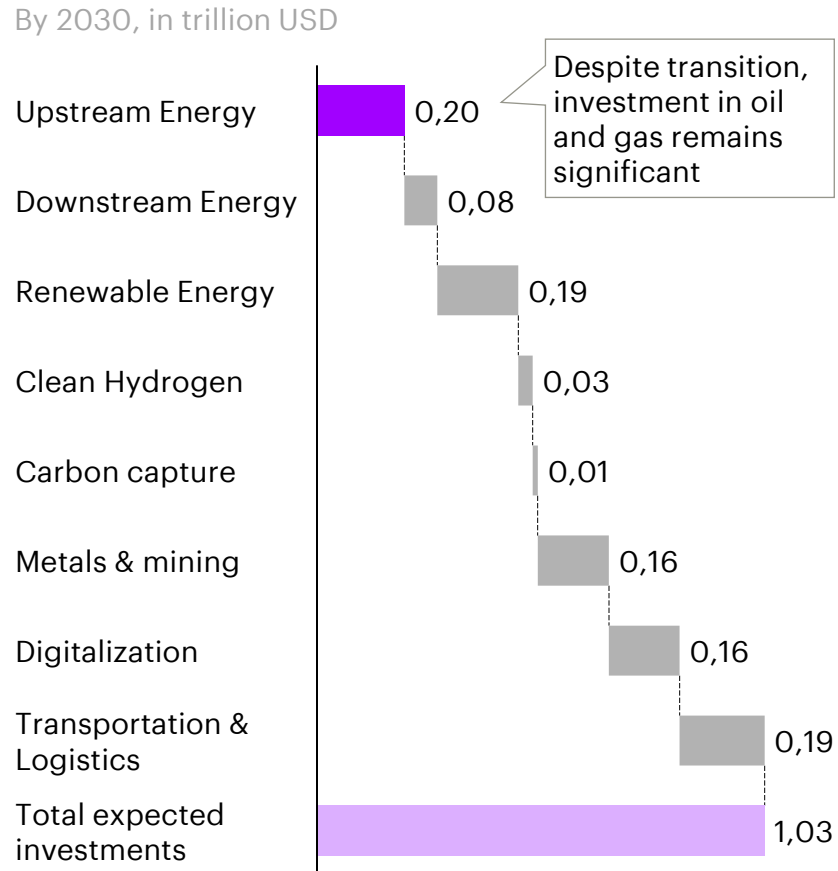
Declining oil revenues and a potential Strait of Hormuz closure could threaten Saudi Arabia's economic transformation due to its heavy reliance on oil exports

Saudi Arabia's oil revenues and investments

Public debt and oil export revenue



Average investments across sectors



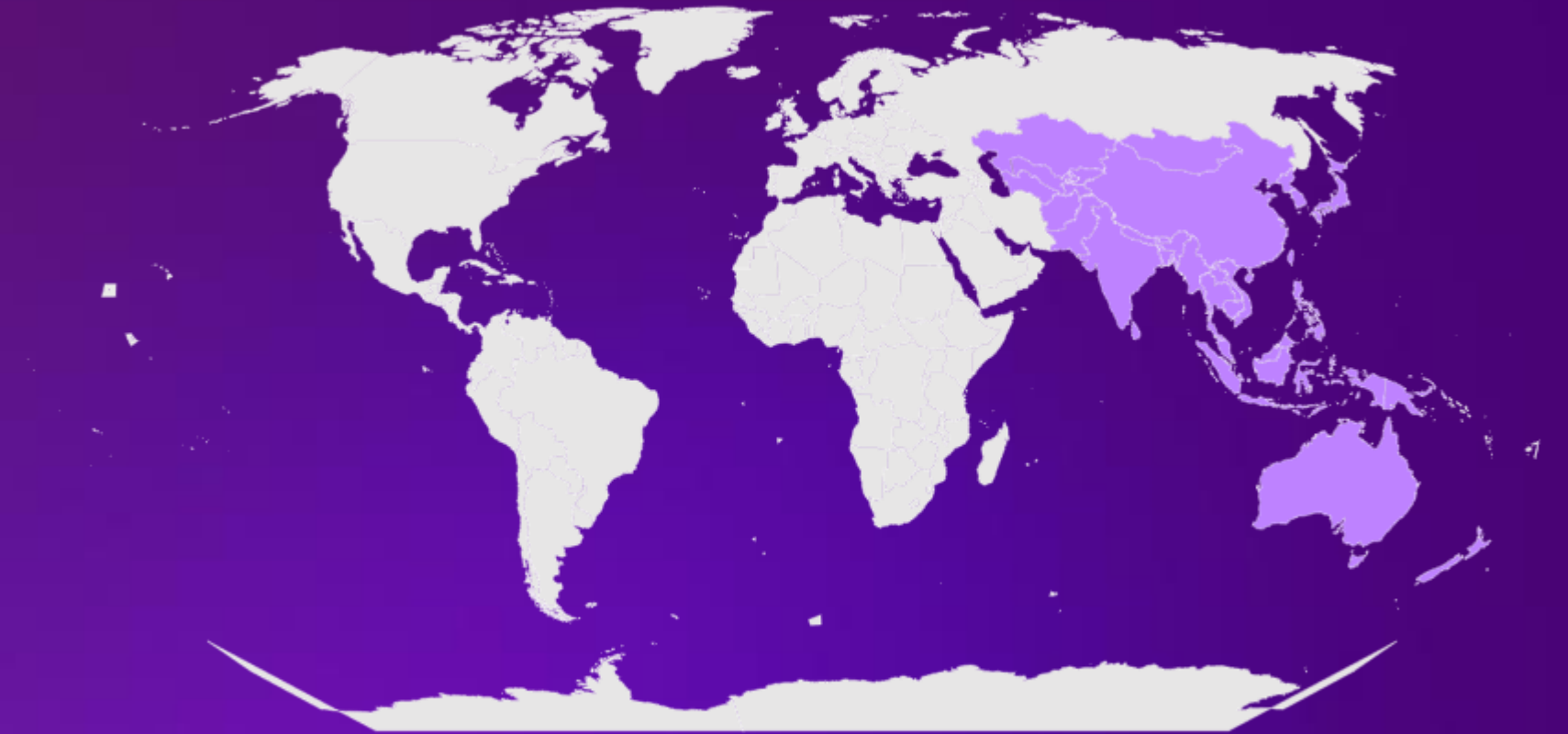
Implications for corporates

- Saudi Arabia's shift from oil dependence (23.2% of GDP) faces a rising deficit (4.3% of GDP) with oil prices below the fiscal break-even price of \$96
- Further reductions in revenues from oil exports (due to geopolitical conflicts) could dampen already-strained investment sentiment and jeopardize Saudi Arabia's achievement of investment targets
- International companies operating in Saudi Arabia may face increased fiscal pressure through higher taxes or reduced government spending on non-focus areas and subsidies, potentially affecting profitability and long-term business operations

Notes: While supply disruptions could raise oil prices, a Strait of Hormuz closure may ultimately have a net negative impact on GCC oil revenues due to reduced export volumes

Sources: Bloomberg, OPEC, Goldman Sachs, IMF, Accenture Strategy analysis

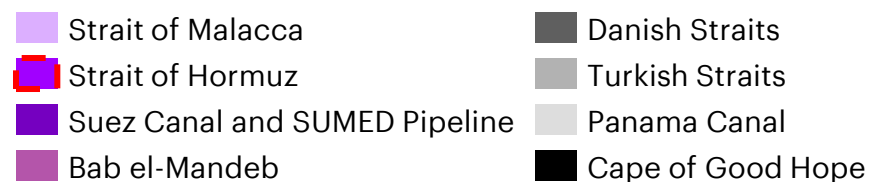
Asia Pacific



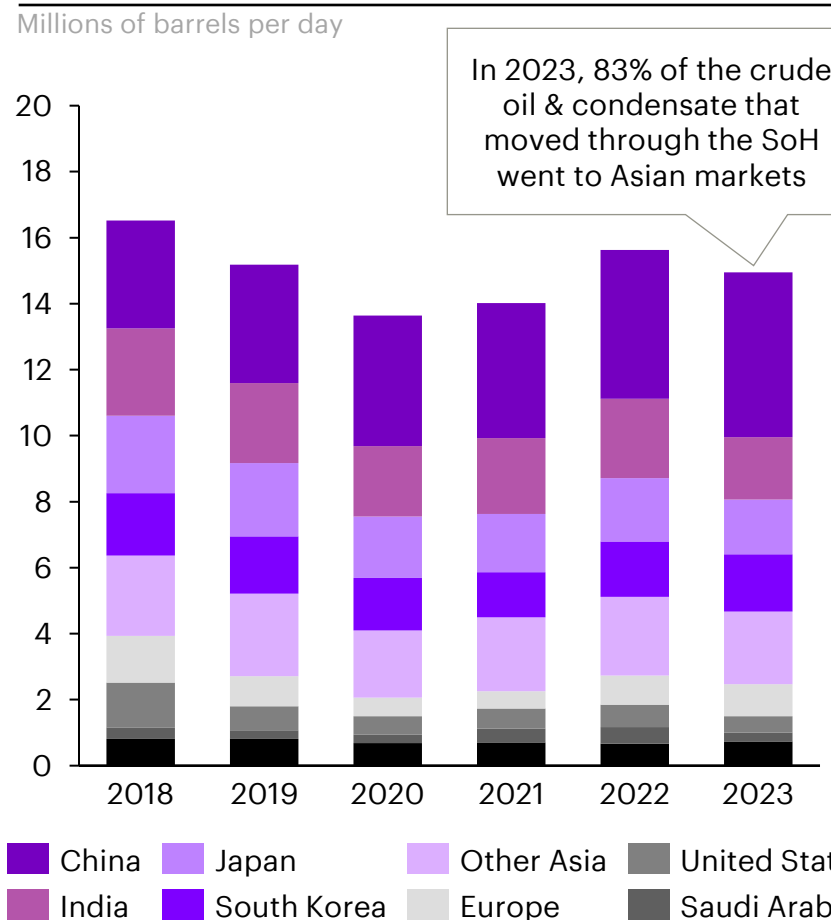
An escalation of the Middle East crisis is likely to have a disproportionate impact on Asia due to the relatively high dependence on energy imports via the Strait of Hormuz (SoH)

Exposure of Asia's energy imports to the SoH

Crude oil and petroleum liquids transported through world chokepoints in 2023



Crude oil transported through the SoH, by destination in 2023



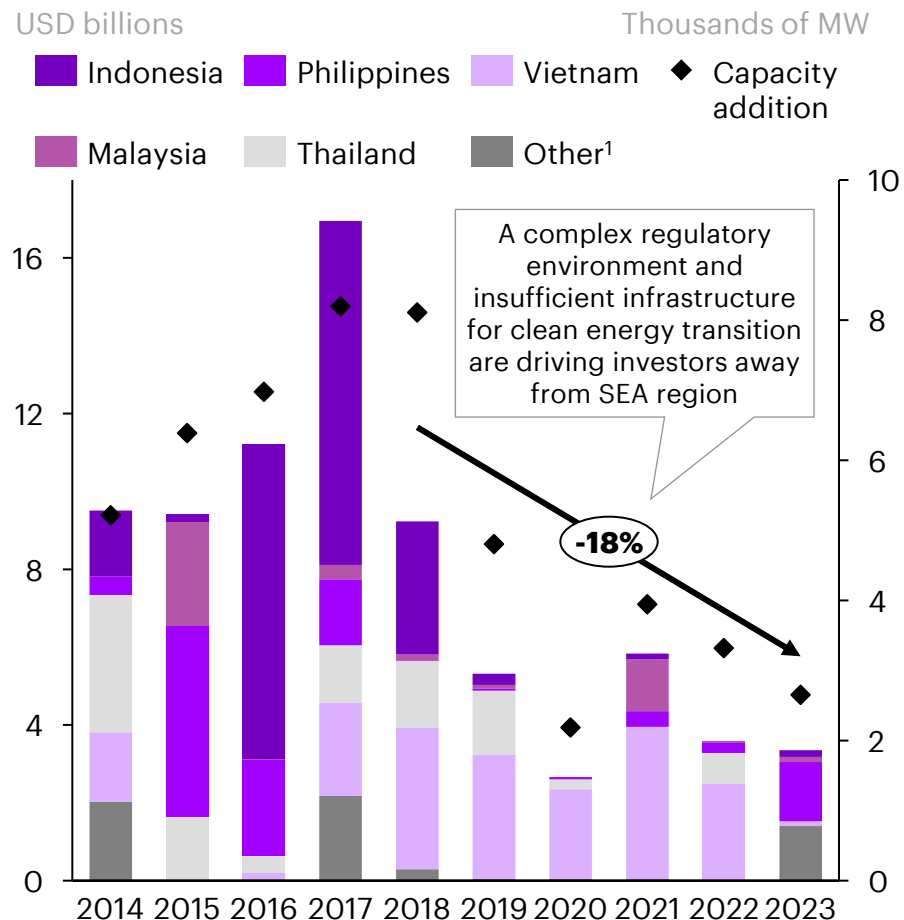
Implications for corporates

- Escalation of conflict in Middle East that disrupts energy trade through Strait of Hormuz would likely drive-up energy prices and direct and indirect input costs for companies in APAC
- Business investment is also likely to factor in higher geopolitical risk and inflationary impact, with a potential squeeze on corporate profits and CAPEX
- Volatile energy costs may accelerate the transition to renewable energy and related investments

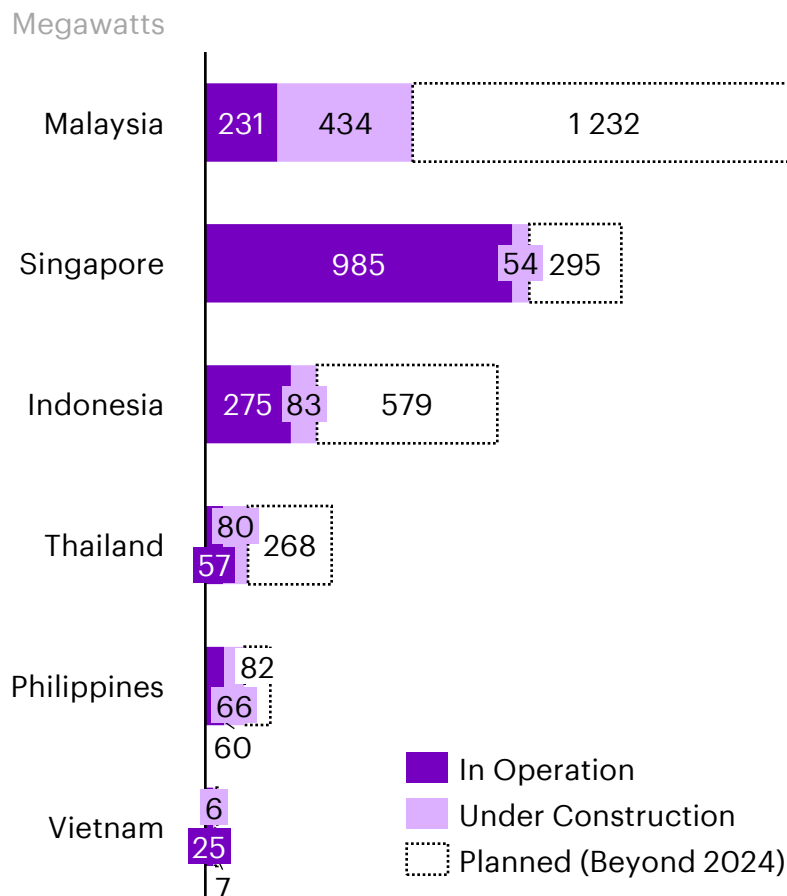
Southeast Asia's investment gap in electricity infrastructure leaves it particularly exposed to potential energy supply disruptions, especially as data center power demand grows

Anticipated energy demand and supply in SEA

Annual investment in electricity generation capacity



Data center committed in SEA countries



Implications for corporates

- To meet rising power demand driven by data centers, energy and utility companies will likely need to:
 - Invest in additional generation capacity
 - Seek funding to install that new capacity
 - Minimize new emissions, potentially by investing in renewable energy sources
- Outages or rationing can lead to production halts, missed deadlines, and loss of revenue; this is particularly impactful for industries with just-in-time manufacturing processes
- The unpredictability of energy supply disruptions makes it challenging for insurers to accurately assess and price risk, potentially leading to underwriting losses



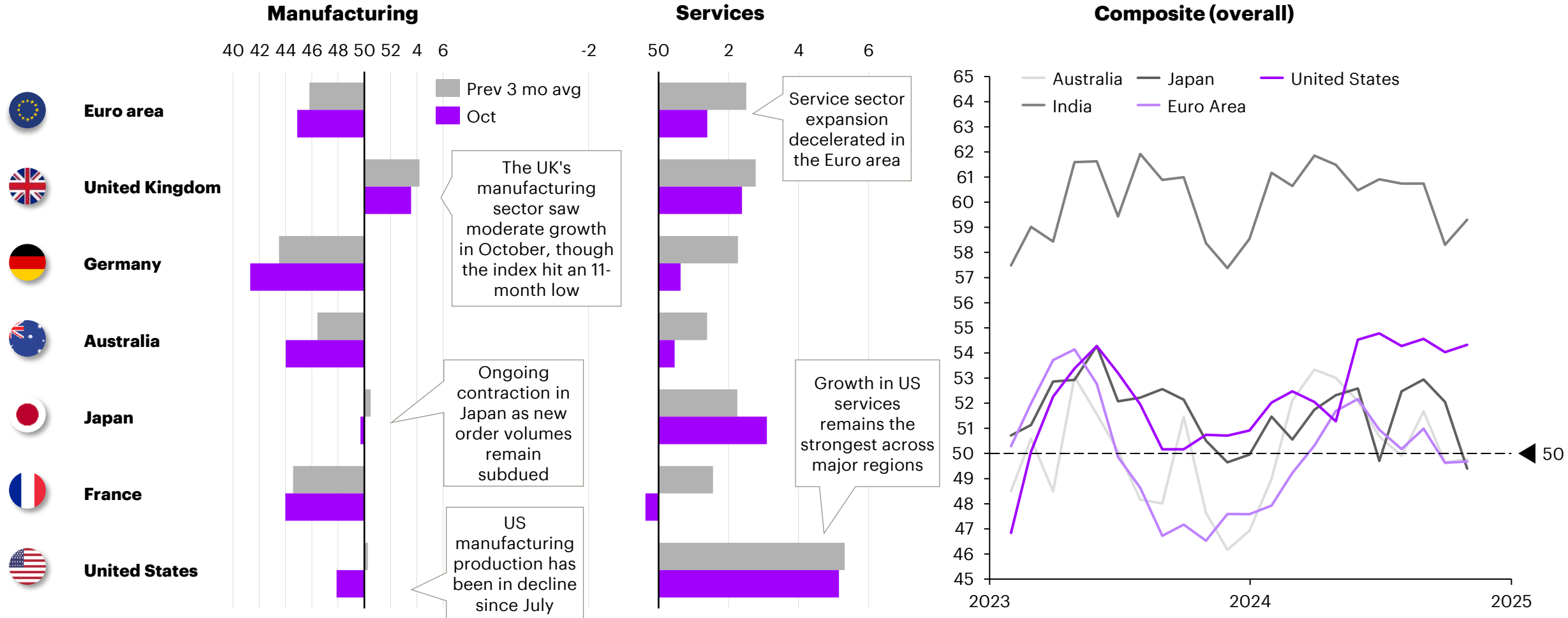
Economic indicator chart pack

Regional and industry activity



Manufacturing activity in October remained in contraction in most regions, while the services sector continued to gain momentum across the board

October Flash PMI survey



Notes: A survey score above 50 indicates expansionary business activity and a score below indicates business activity contracted that month, most recent results may include preliminary flash figures

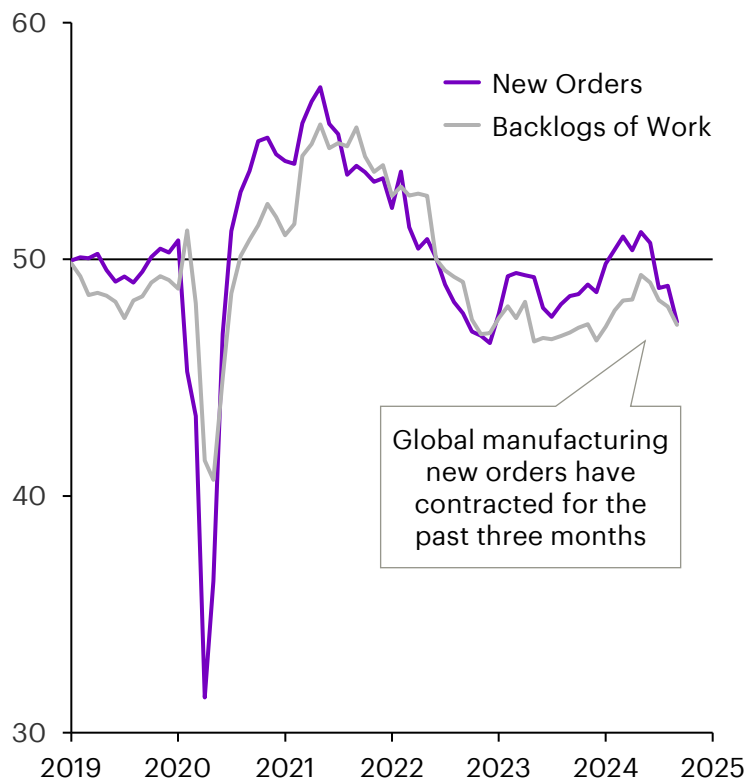
Sources: S&P Global, Accenture Strategy analysis

Forward-looking indicators suggest continued weakness in global manufacturing as demand uncertainty remains elevated in the near term

Leading indicators of global manufacturing momentum

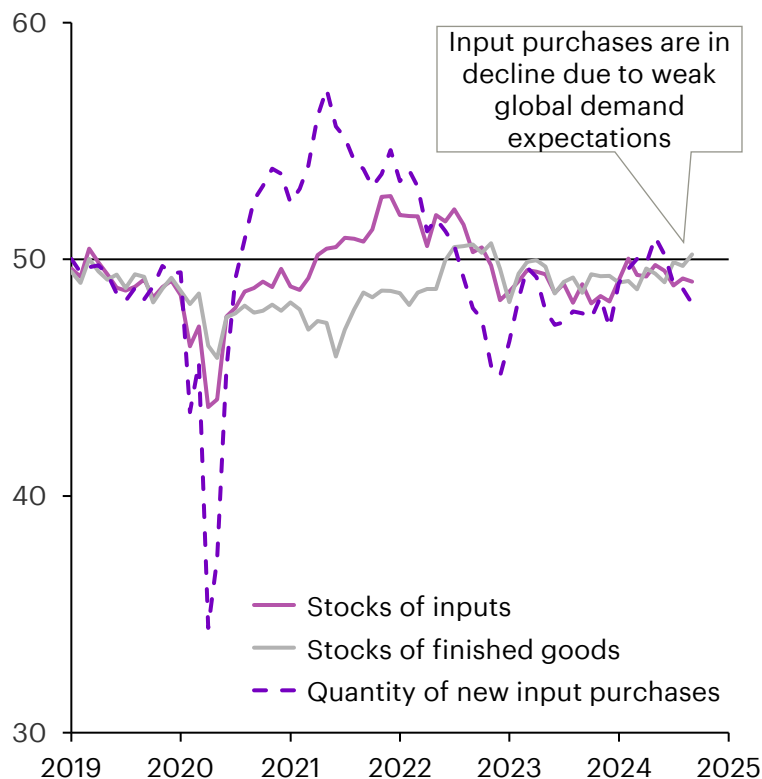
Declining new orders growth...

Diffusion indexes (SA, 50+=Expansion)



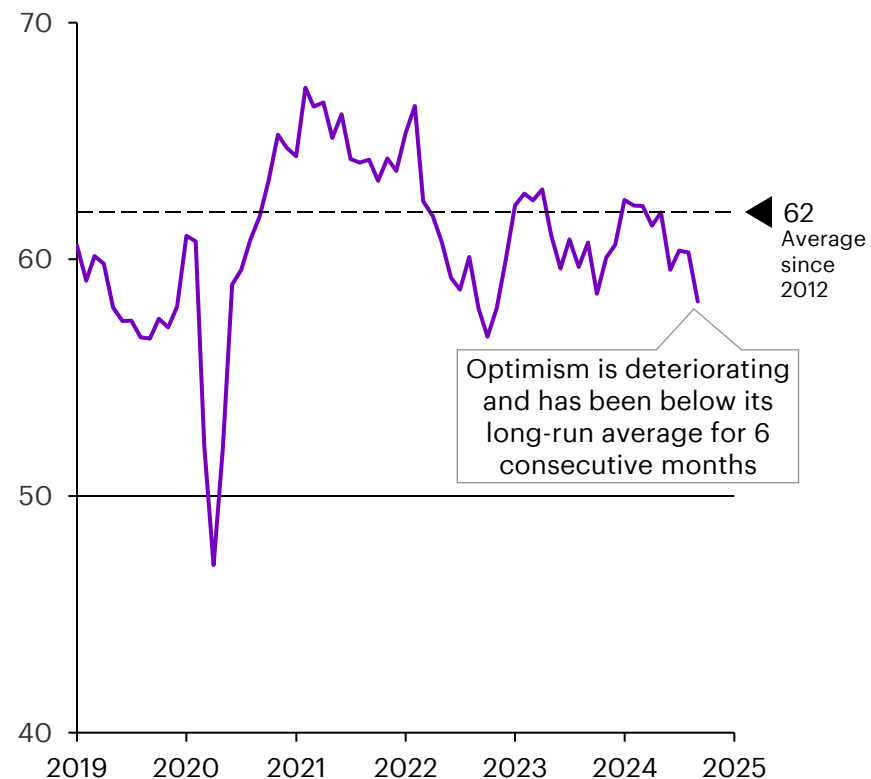
...with muted input purchases ...

Diffusion indexes (SA, 50+=Expansion)



...weighing on optimism for the 12-m outlook

Manufacturing future output (NSA, 50+=Expansion)



Notes:

(1) Data reflects global diffusion indexes, which are GDP-weighted averages in over 40 countries incl. US (21.6%), China (12.7%), Japan (7.7%), Germany (3.6%), UK (3.5%), and India (3.3%), among others. Annual weights are based on Gross Value Added (GVA) in the manufacturing sector in constant US\$ from the World Bank. The select countries account for 98% of global manufacturing value added. (2) Global manufacturing PMI indices are compiled by S&P Global from responses to monthly questionnaires sent to purchasing managers in survey panels totaling around 13,500 companies.

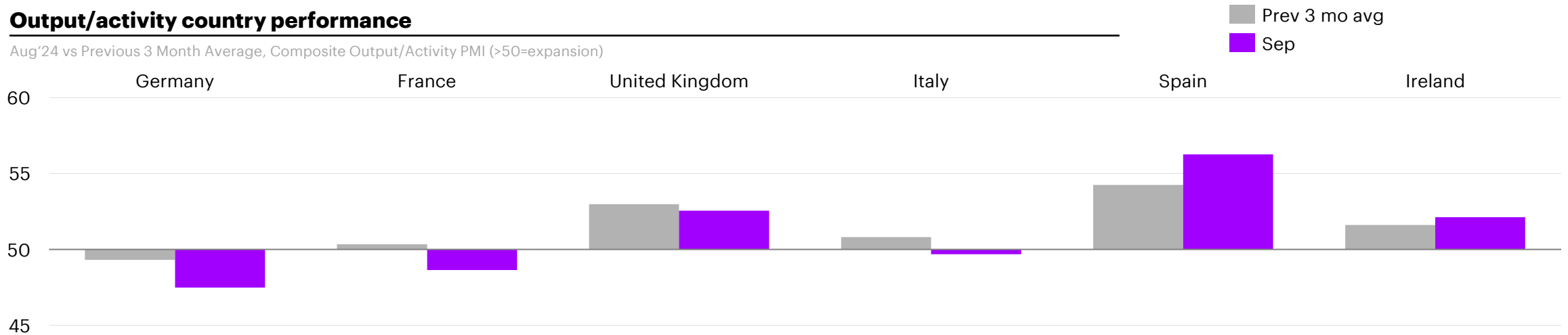
Sources: Haver Analytics, S&P Global, Accenture Strategy analysis

Across Europe, economic activity has mostly been subdued, although output and demand continues to grow in the UK, Spain, and Ireland

Regional performance: Europe

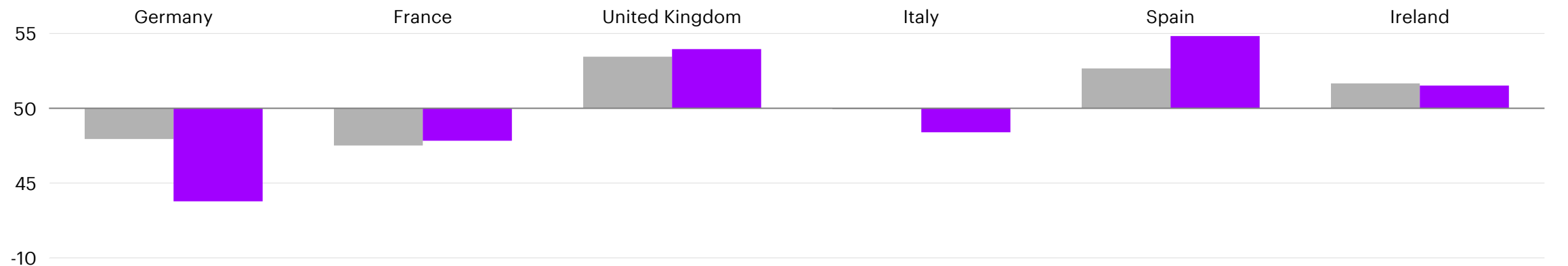
Output/activity country performance

Aug'24 vs Previous 3 Month Average, Composite Output/Activity PMI (>50=expansion)



New Orders Index

Aug'24 vs Previous 3 Month Average, Composite New Orders PMI (>50=expansion)

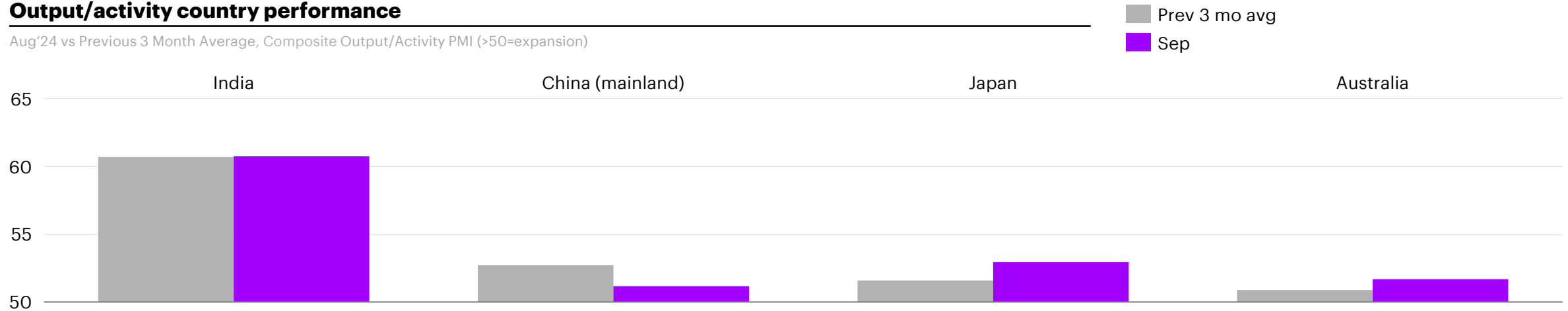


In the Asia-Pacific region, most economies continue to experience steady growth, led by significant expansion and new orders demand in India

Regional performance: Asia-Pacific

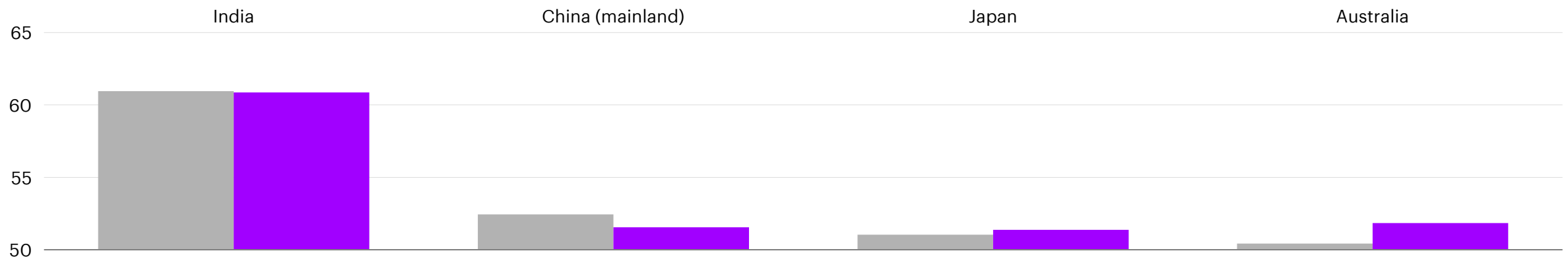
Output/activity country performance

Aug'24 vs Previous 3 Month Average, Composite Output/Activity PMI (>50=expansion)



New Orders Index

June'24 vs Previous 3 Month Average, Composite New Orders PMI (>50=expansion)

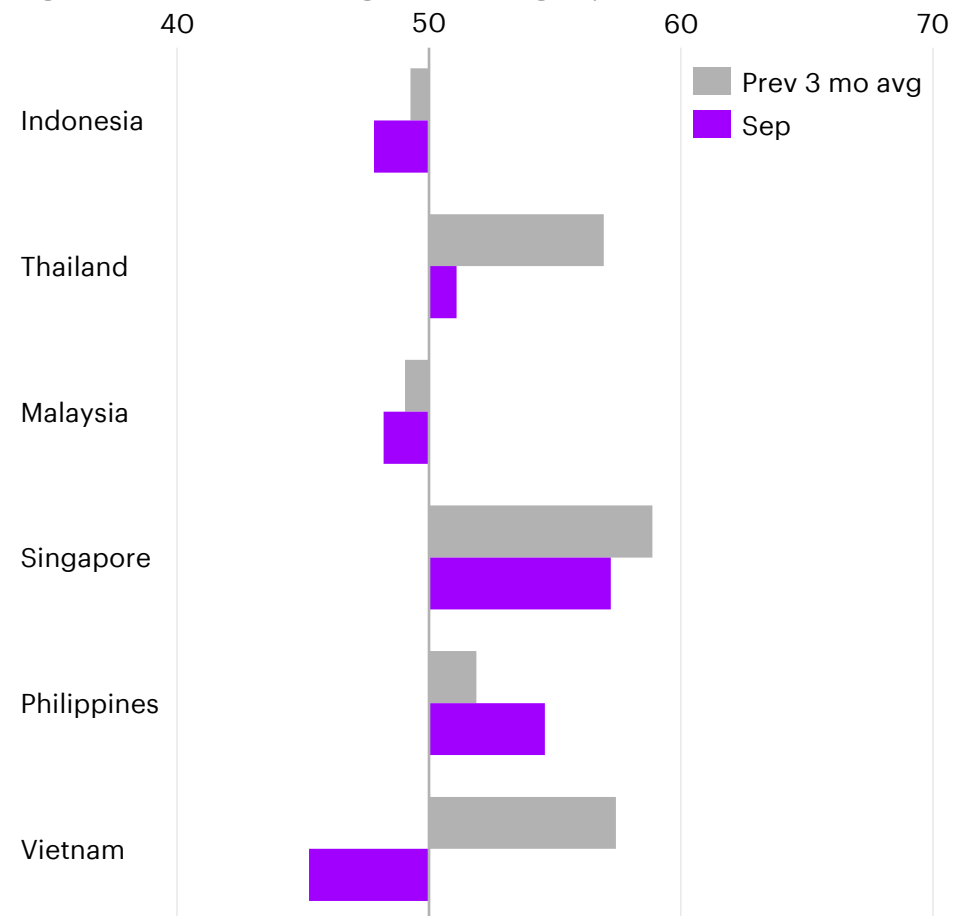


In Southeast Asia, manufacturing activity has held strong in Singapore and the Philippines, while other countries have experienced declines in new orders and employment

Regional performance: Southeast Asia

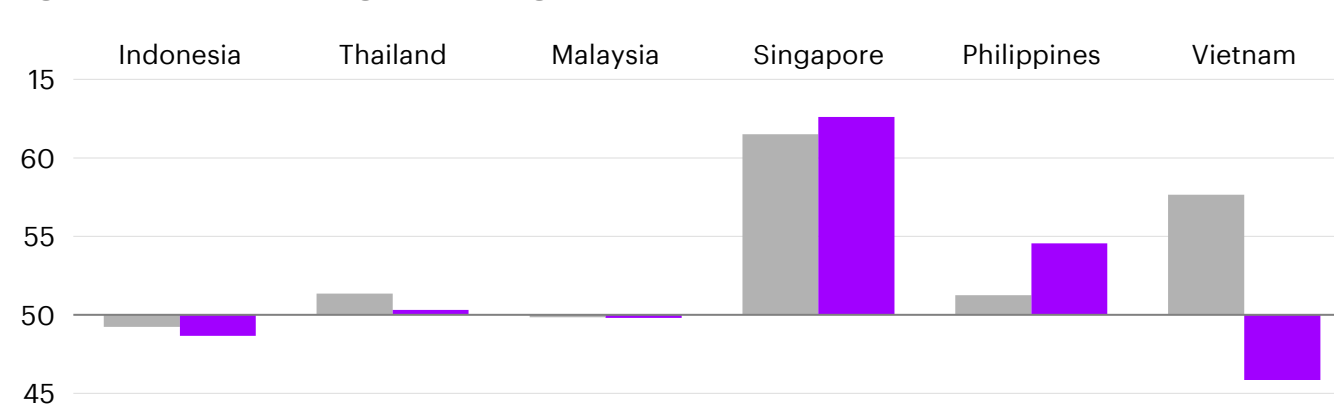
Manufacturing Performance

Aug'24 vs Previous 3 Month Average, Manufacturing Output



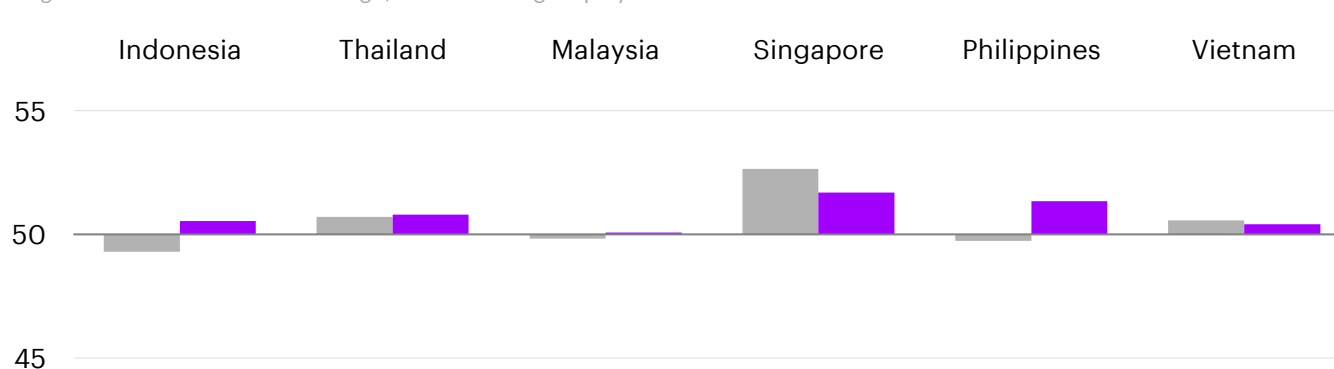
Manufacturing New Orders

Aug'24 vs Previous 3 Month Average, Manufacturing New Orders PMI



Manufacturing Employment

Aug'24 vs Previous 3 Month Average, Manufacturing Employment PMI



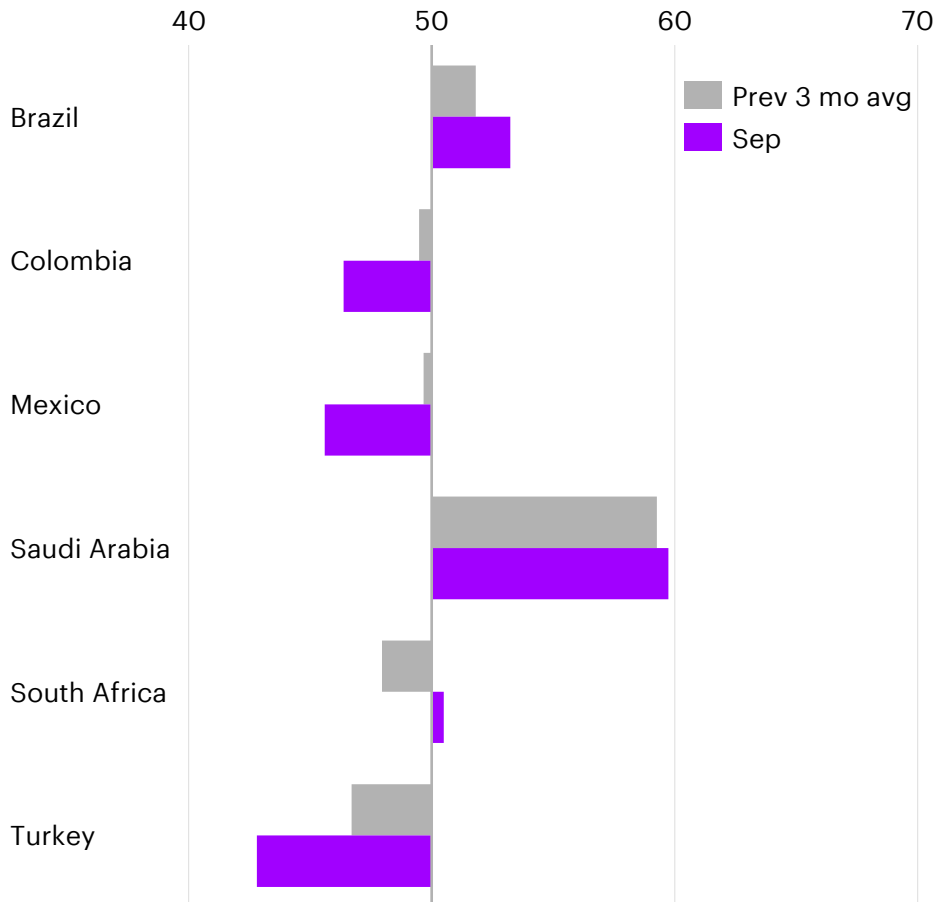
Notes: Performance for Singapore covers the whole economy
Sources: S&P Global, Accenture Strategy analysis

Among other emerging markets, Saudi Arabia continues to lead the charge, while Brazil has seen strong gains in new orders and employment

Regional performance: Other emerging markets

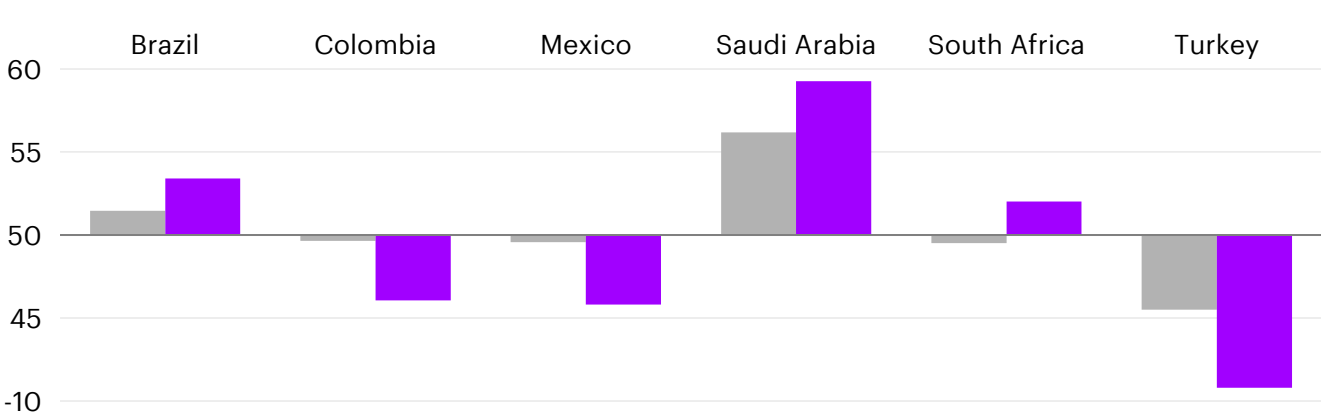
Manufacturing Performance

Aug'24 vs Previous 3 Month Average, Manufacturing Output



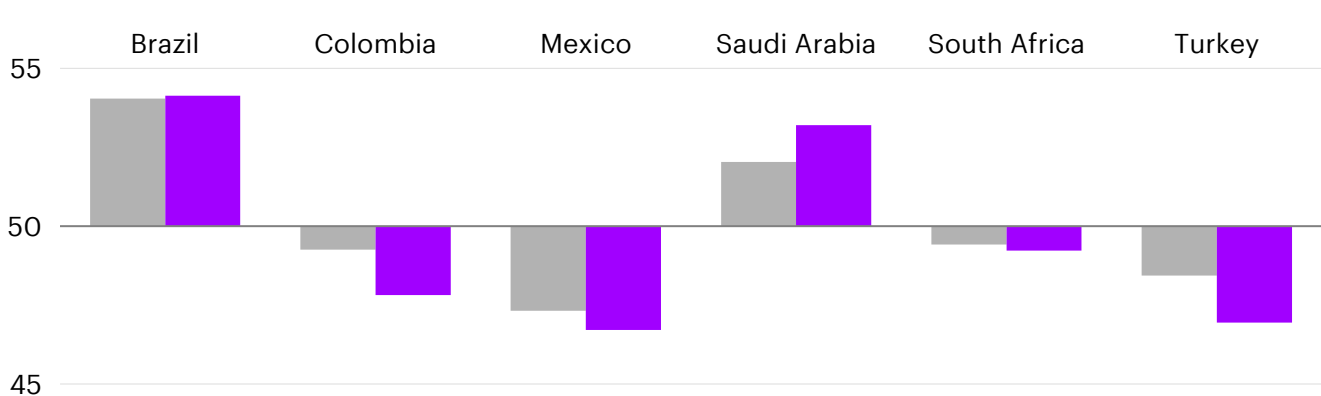
Manufacturing New Orders

Aug'24 vs Previous 3 Month Average, Manufacturing New Orders PMI



Manufacturing Employment

Aug'24 vs Previous 3 Month Average, Manufacturing Employment PMI



Notes: South Africa and Saudi Arabia PMI is for the whole economy
Sources: S&P Global, Accenture Strategy analysis

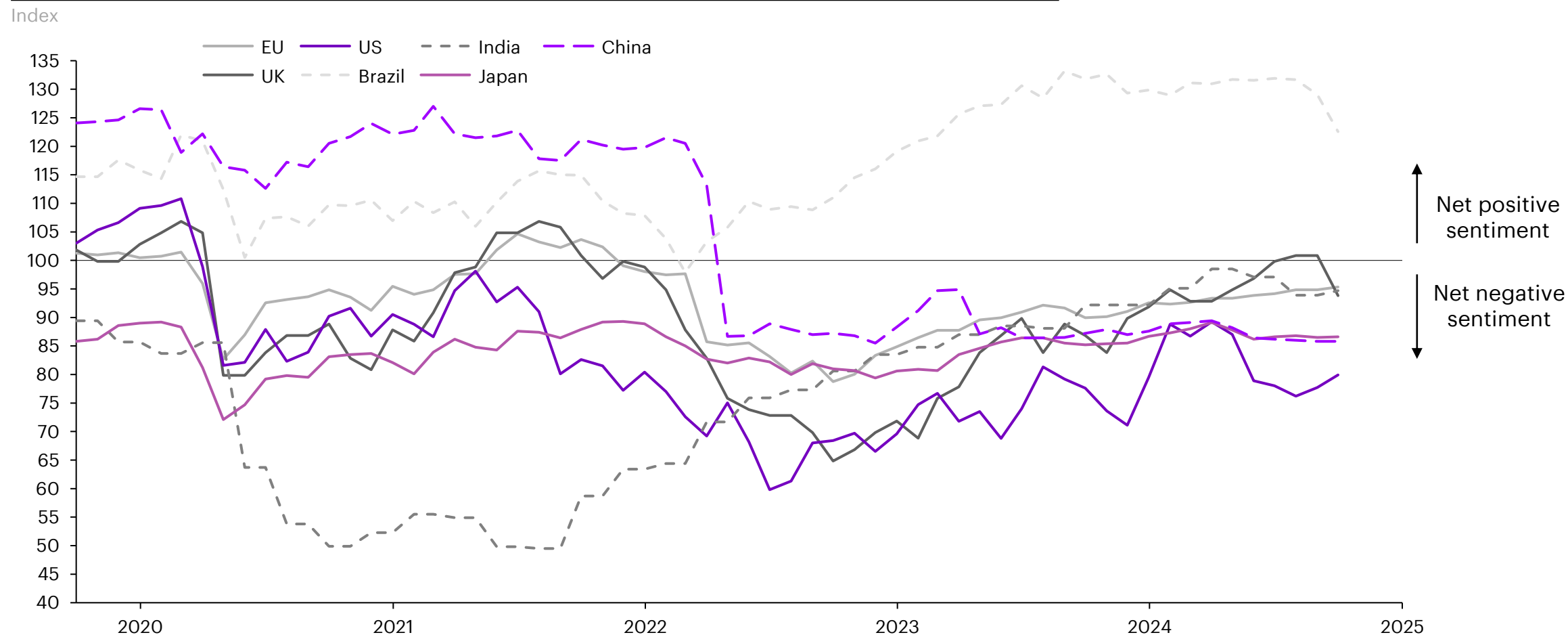
Consumer spending



Global consumer sentiment remains predominantly pessimistic, particularly in the US, Japan, and China, while optimism in Brazil remains an outlier

Consumer sentiment across major economies

Indicators of overall consumer sentiment







Notes: All series have been rebased from their original reported levels to a central point of 100. UK data from GfK Survey. US data from Michigan Survey. Sources: EC Consumer Surveys, GfK Survey, University of Michigan Survey, Fecomercio, China National Bureau of Statistics, Reserve Bank of India, Japan Cabinet Office, WSJ, Accenture Strategy analysis

Consumer spending remains resilient in the US, particularly in services, while the UK has seen significant improvement particularly in non-food categories

Consumer spending trends by goods and services category

AS OF OCTOBER 28

		 US		 UK		 Germany		 France	
		Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change
Goods	Groceries	0,8%	-0.5%	-0,7%	2.1%	0,3%	-1.8%	0,2%	-0.2%
	Motor vehicles	0,6%	-1.8%	-8,5%	6.0%	-1,5%	-5.7%	-5,3%	-0.1%
	Furniture	2,5%	0.1%	-6,3%	0.9%	-1,0%	-2.2%	-3,4%	-2.2%
	Electronics	2,5%	1.6%	16,4%	-6.7%	1,4%	-3.7%	-0,1%	-1.2%
	Footwear & apparel	-0,1%	-0.6%	-1,0%	2.6%	-3,6%	8.8%	0,3%	-3.8%
	Fuel	0,9%	-1.0%	2,7%	0.6%	1,4%	0.7%	0,8%	-1.9%
Services	Transportation	3,5%	0.5%	4,8%	-0.8%	0,6%	5.6%	0,2%	4.4%
	Entertainment	1,7%	1.3%	-1,0%	-2.5%	n/a	n/a	3,1%	-2.9%
	Dining out and hotels	-0,3%	-0.1%	1,8%	-0.5%	-1,2%	0.2%	1,4%	0.4%
	Information services	0,6%	0.4%	3,1%	0.0%	0,0%	1.3%	1,6%	-0.1%
	Telecom	0,2%	0.4%	0,8%	-0.8%	3,8%	-0.6%	1,0%	-1.9%

Notes: (1) UK's previous 6-Months includes a stronger than normal holiday season. (2) Spending figures are inflation-adjusted. (3) Consumer spending series for US is personal consumption expenditures (PCE); for Euro Area and UK, series data is retail sales, motor vehicles sales/registrations, and services turnover.

(4) Some European services data may include B2B spending. (5) Data presented is most recently available data for each geography and category.

Sources: BEA, BLS, ONS, National Institute of Statistics and Economic Studies, Federal Statistical Office, Accenture Strategy analysis

Labor markets

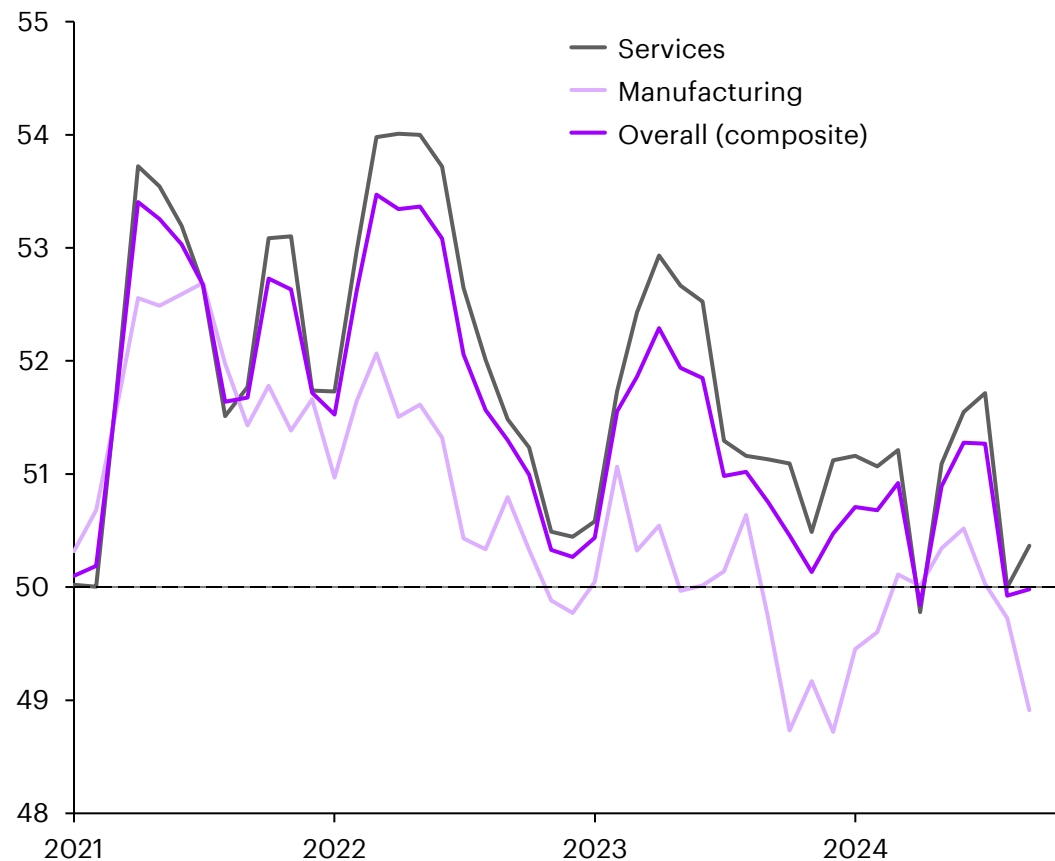


Globally, the labor market is showing signs of cooling, particularly in the manufacturing sector, with overall employment contracting in the US, Euro area, UK, and China

Global PMI employment growth

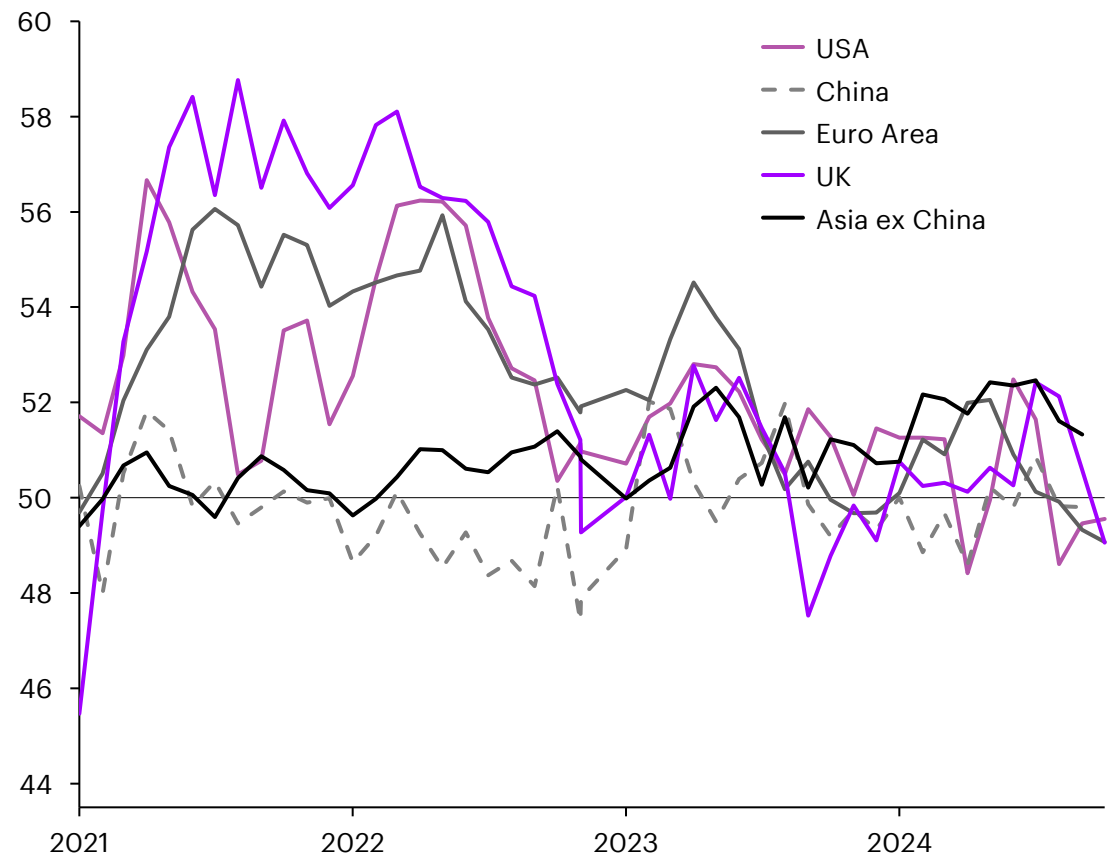
Global PMI Employment Index

Index (>50=expanding employment)



Regional Composite PMI Employment Index

Index (>50=expanding employment)

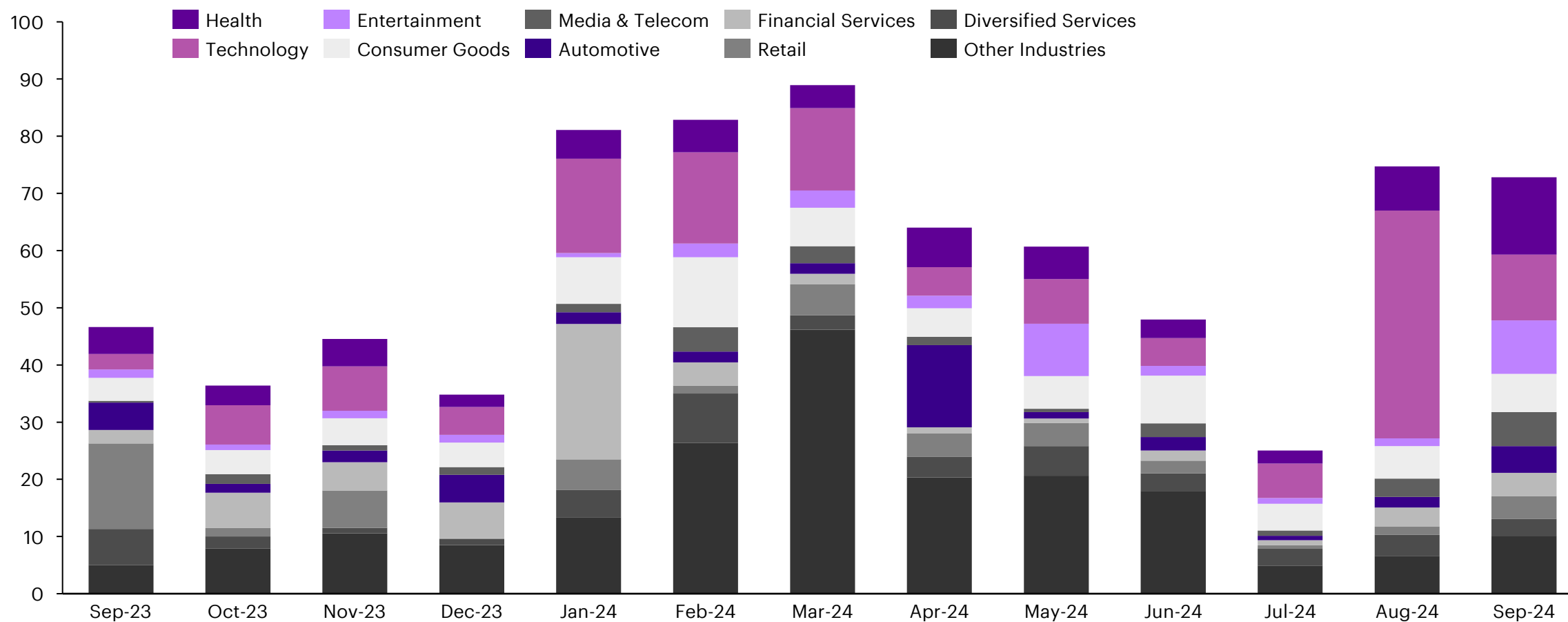


U.S. layoffs held stable in September; healthcare and technology led again with the most layoffs, although rate of decline for the tech sector was lower than in the previous month

US corporate layoff tracker

Announced layoffs by sector

Thousands (not seasonally adjusted)



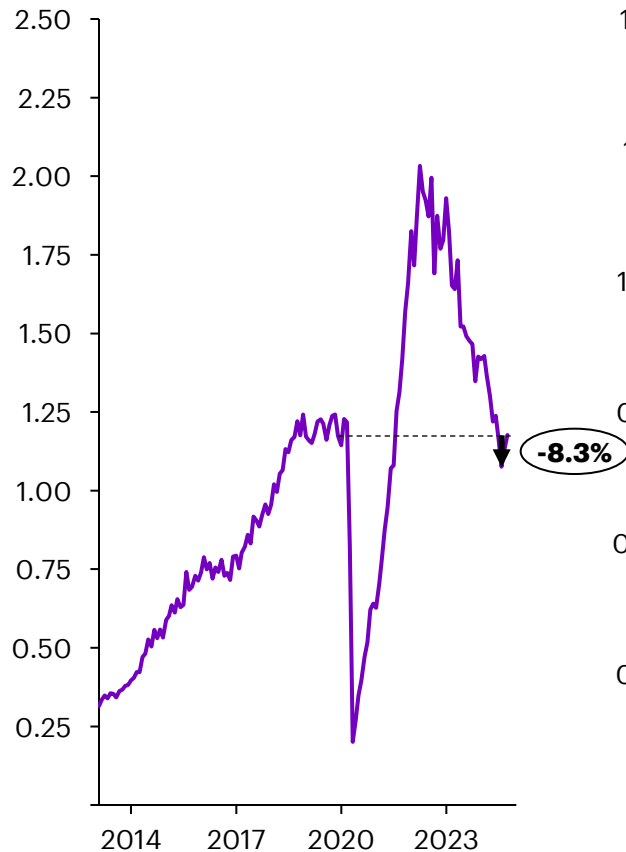
Labor markets continue to ease across the US, UK, Germany, and Japan, with the UK seeing the sharpest drop in vacancies in mining and entertainment sectors

Labor market tightness

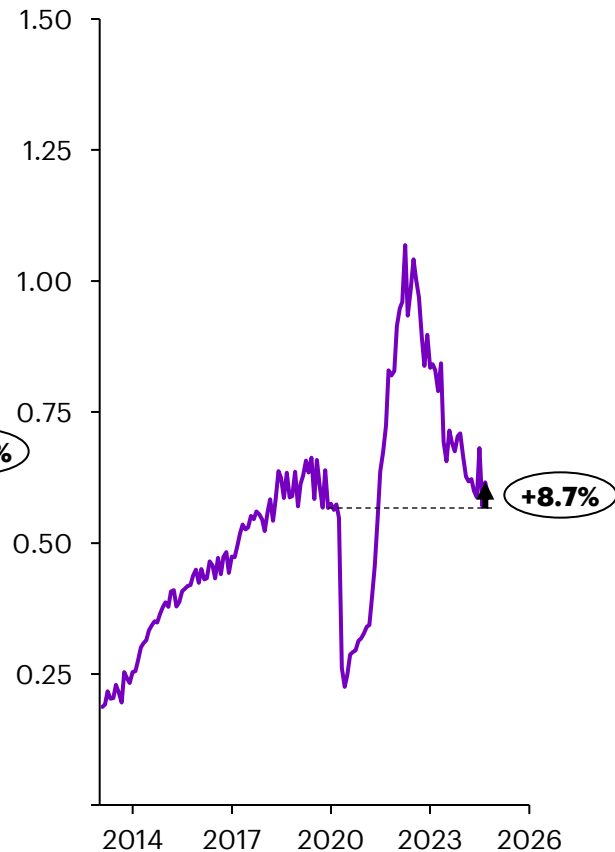
Job vacancies per unemployed person



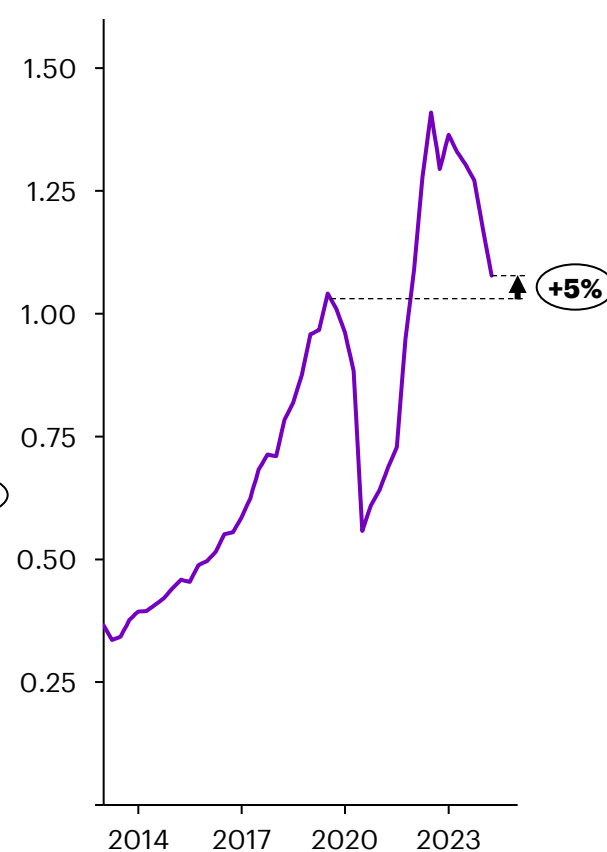
US



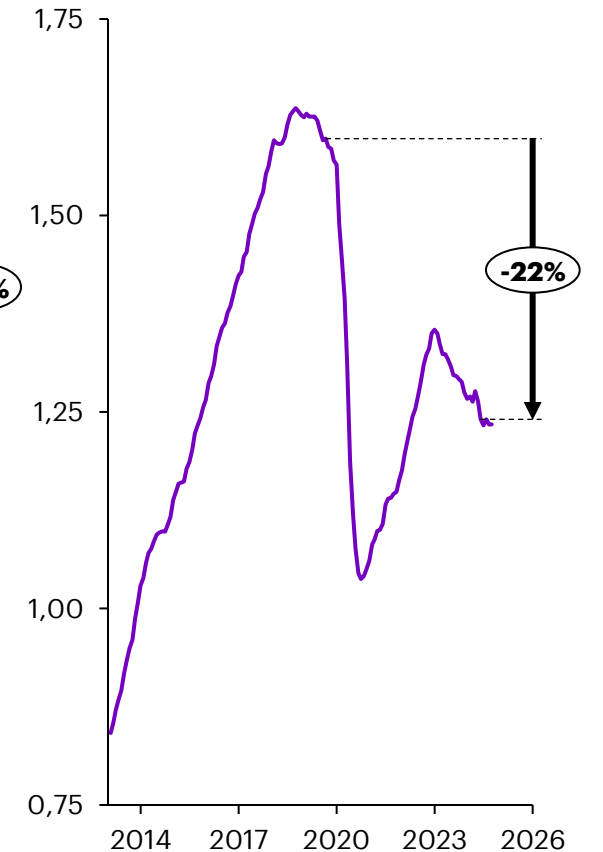
UK



Germany



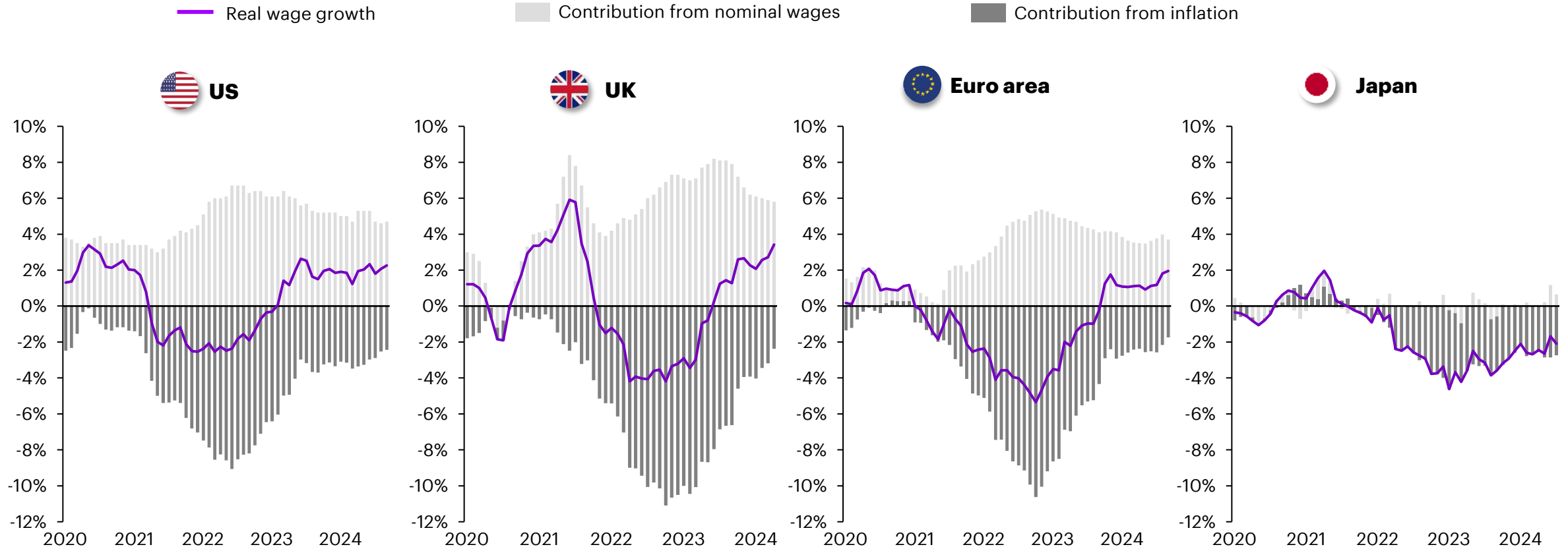
Japan



Real wage growth remained stable in the US and Euro and continued to decline in Japan, while the UK has seen a consistent upward trend in recent months

Wage growth developments

YoY % change in real wages and contributions to change (percentage points) from nominal wage growth and inflation
















Inflation



Disinflationary momentum continued in the US, Europe, and most of APAC, but reversed in India and Brazil

CPI inflation rates and trends

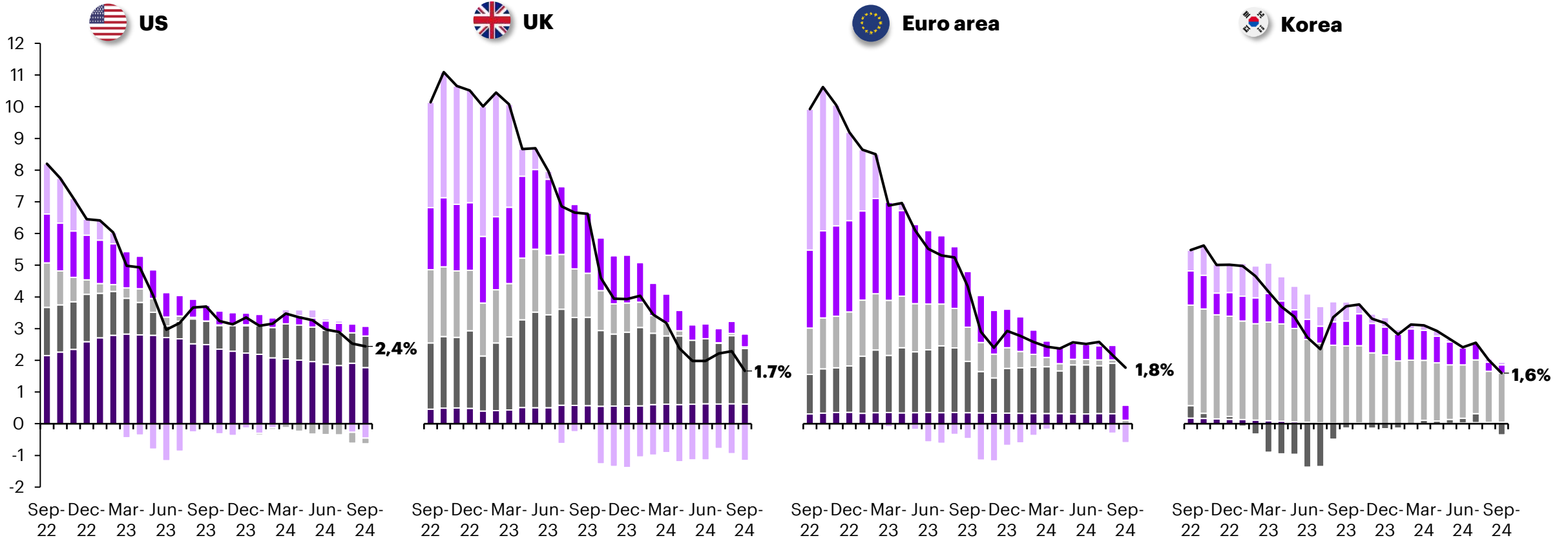
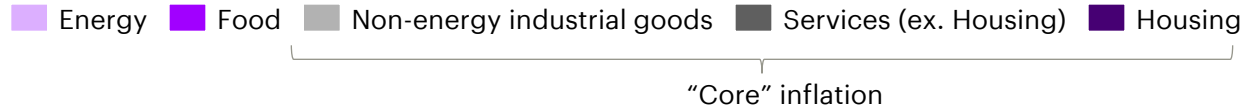
Year over year change to CPI and point change from prior month

Country	YoY Inflation Rate	Change from previous month's rate (percentage points)		Country	YoY Inflation Rate	Change from previous month's rate (percentage points)	
 United States	2,4%	-0.1%	↓	 China	0,4%	-0.2%	↓
 United Kingdom	1,7%	-0.6%	↓	 Japan	2,5%	-0.5%	↓
 Canada	1,7%	-0.2%	↓	 Brazil	4,4%	0.2%	↑
 Germany	1,8%	-0.2%	↓	 India	5,5%	1.8%	↑
 France	1,5%	-0.7%	↓	 Singapore	1,9%	-0.3%	↓
 Italy	0,8%	-0.4%	↓	 Korea	1,6%	-0.4%	↓
 Spain	2,3%	-0.5%	↓				

Headline inflation has fallen consistently across major economies; core inflation continues to trend down, but remains above the central bank target in the US

Drivers of recent CPI inflation

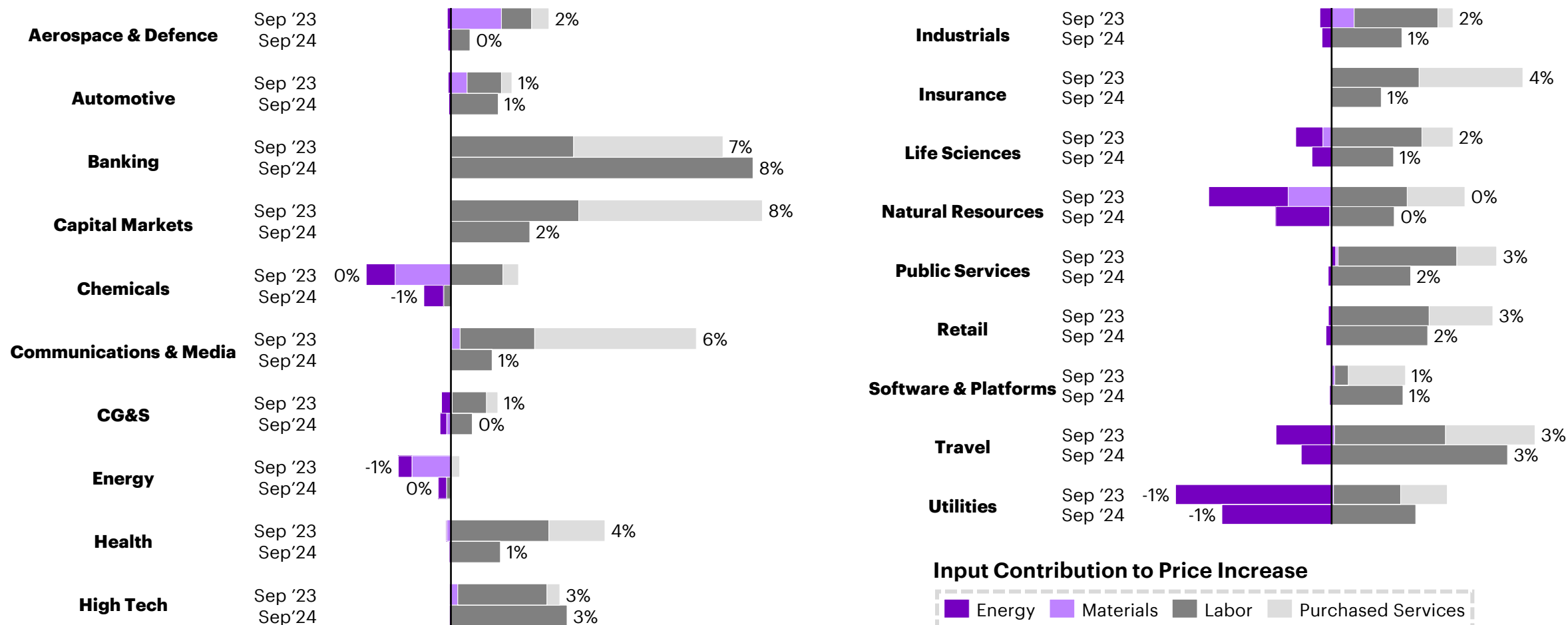
Year-on-year % change and % point contributions from major goods and services categories



Falling energy prices, along with a steady decline in producer price inflation, have alleviated some cost pressures, though labor costs continue to rise across most industries

Recent input cost inflation by industry

LTM year-over-year % change in input costs and contributions (percentage points) from key inputs, 2024



Input Contribution to Price Increase

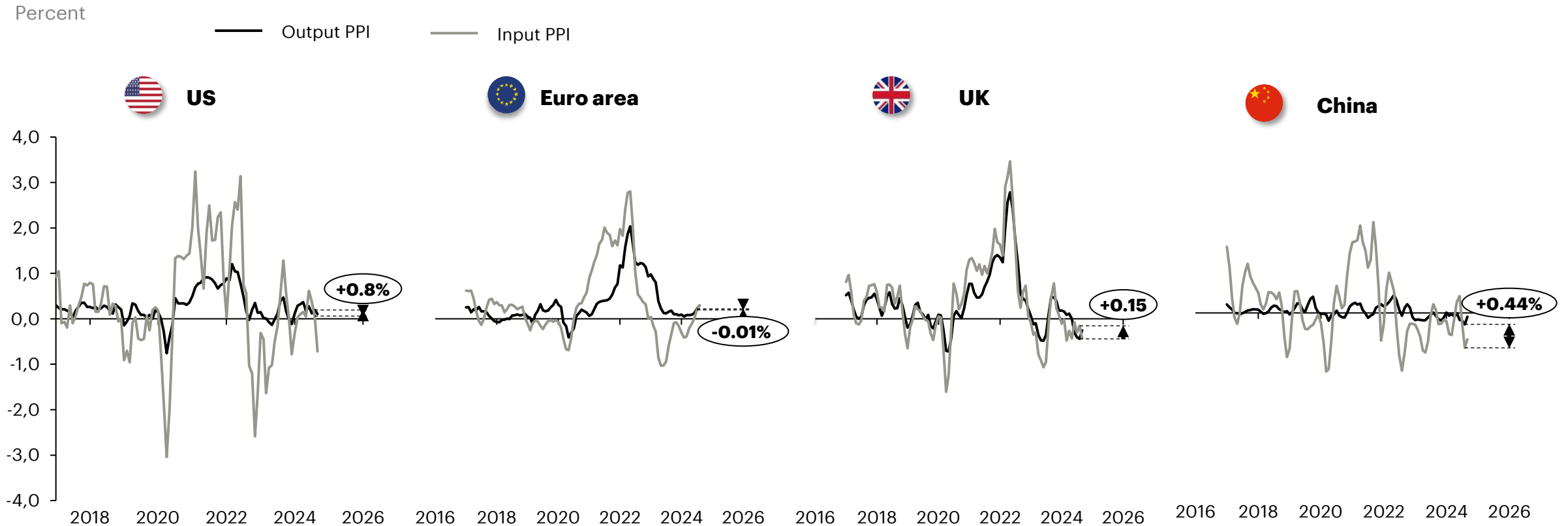


Notes: Wage data as of Aug'24; Energy prices (Natural Gas Prices as of Aug'24, Electricity Prices as of Jul'24 and others as of Aug'24); Materials and Purchased Services PPI price increases as of Aug'24; Sources: BLS, BEA, EIA, EPA, Accenture Strategy analysis

Producers in the UK and Europe have been more successful in passing through costs to consumers, while input costs in the US are putting more pressure on producer margins

Company input cost pass-through trends

Producer price indices (PPI) for intermediate inputs and final outputs, 3 month moving average % change



Notes: (1) Figures in bold represent absolute percentage point difference between intermediate and final demand PPI YoY % values; higher positive values imply greater pass through to final producer selling prices, while larger negative values imply lower pass through. (2) US data is based on production flow classification for PPI, where Stage 2 intermediate inputs (shown in chart) feed into stage 3 production, stage 3 outputs serve as inputs to stage 4 production, and stage 4 provides inputs to final demand goods/services.

Sources: Whitehouse Statements, BLS, ONS, Eurostat, Accenture Strategy analysis

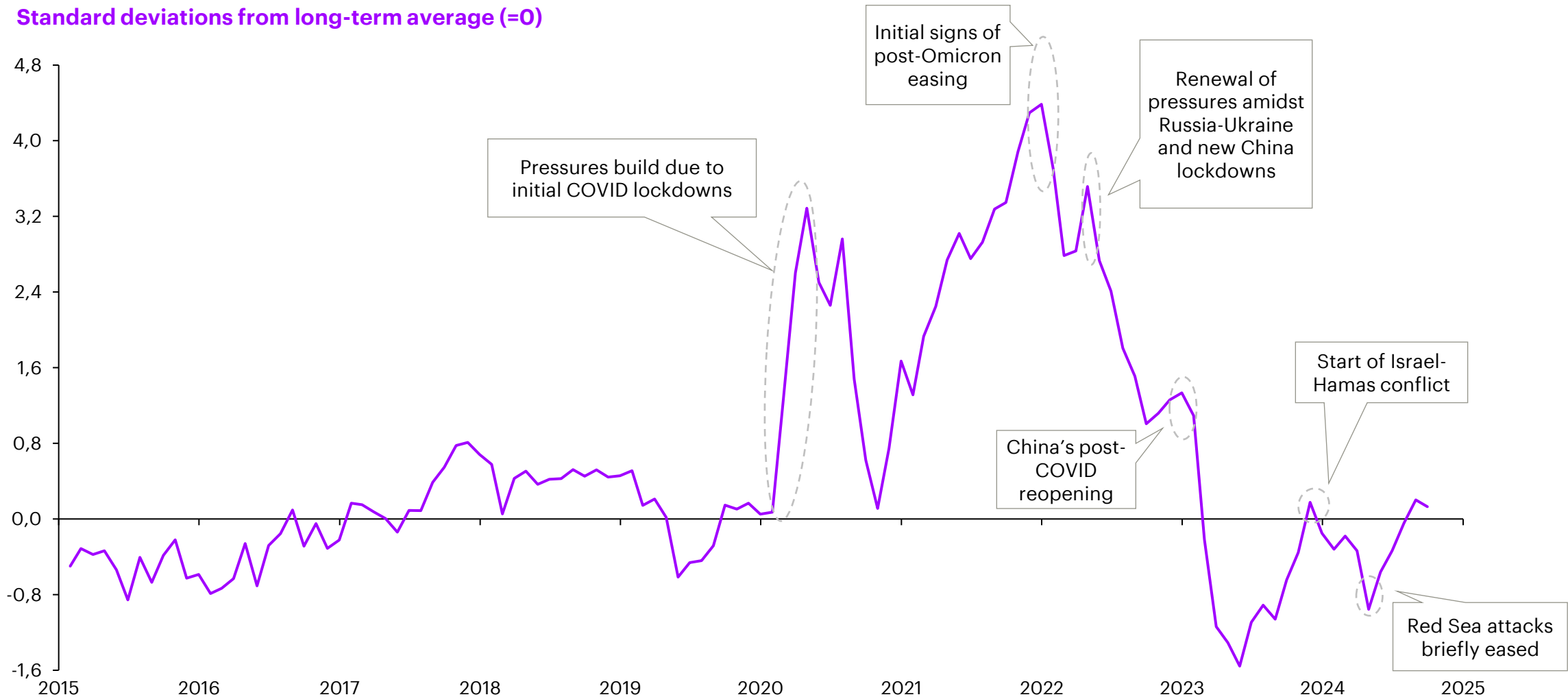
Supply chains



Global supply chain pressures are increasing somewhat due to intensifying Middle East tensions, though conditions remain well-below pandemic-era extremes

Global Supply Chain Pressure Index

Standard deviations from long-term average (=0)

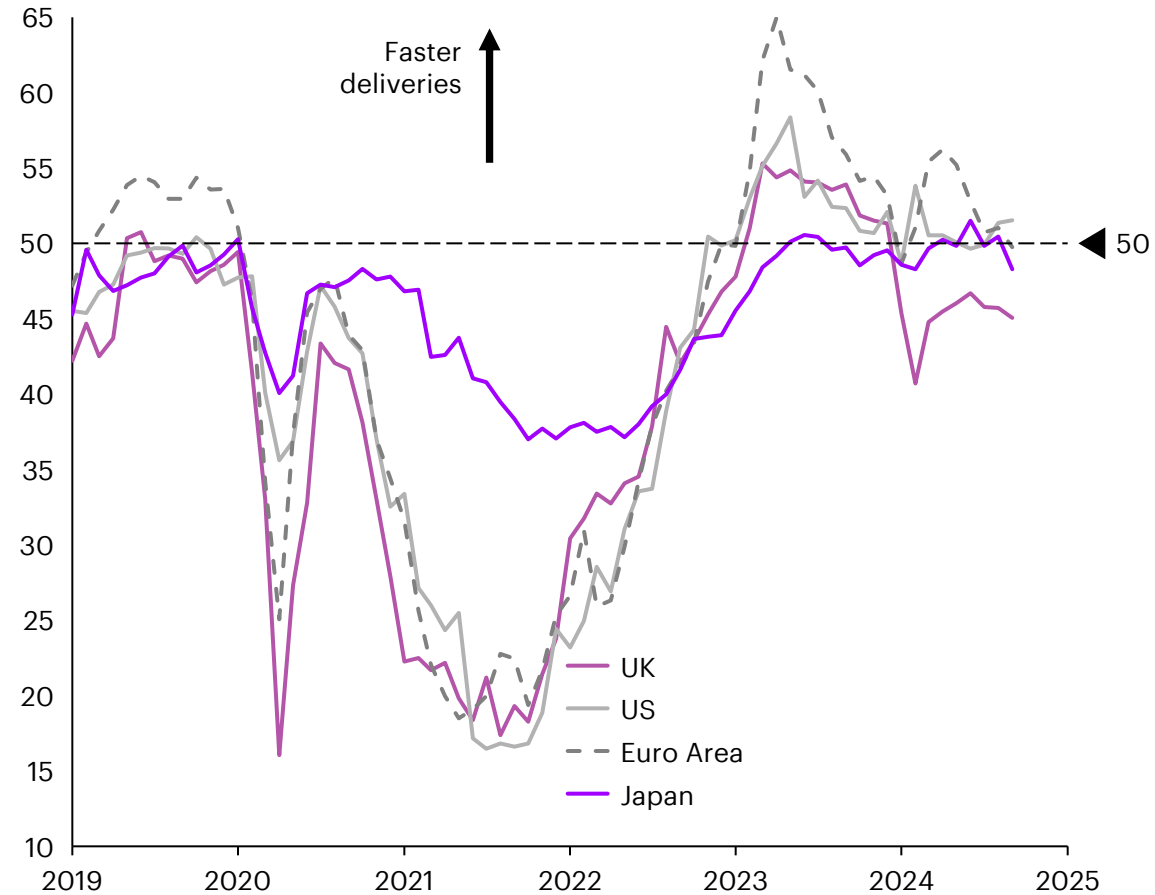


Supplier delivery times are improving in most economies despite ongoing port congestions and labor strikes in key regions

Suppliers' delivery times and backlogs of work

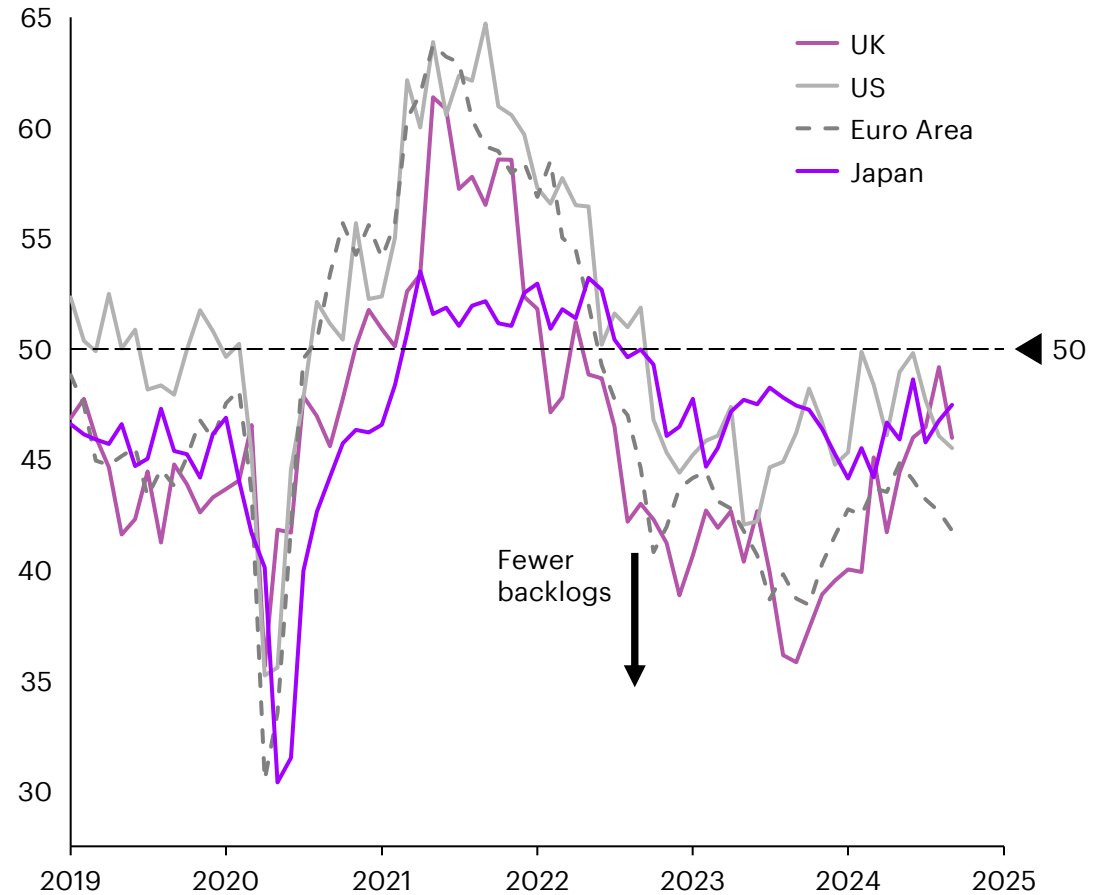
Suppliers' Delivery Times

Seasonally adjusted, 50+ = Increase



Manufacturing Backlogs of Work

Seasonally adjusted, 50+ = Increase



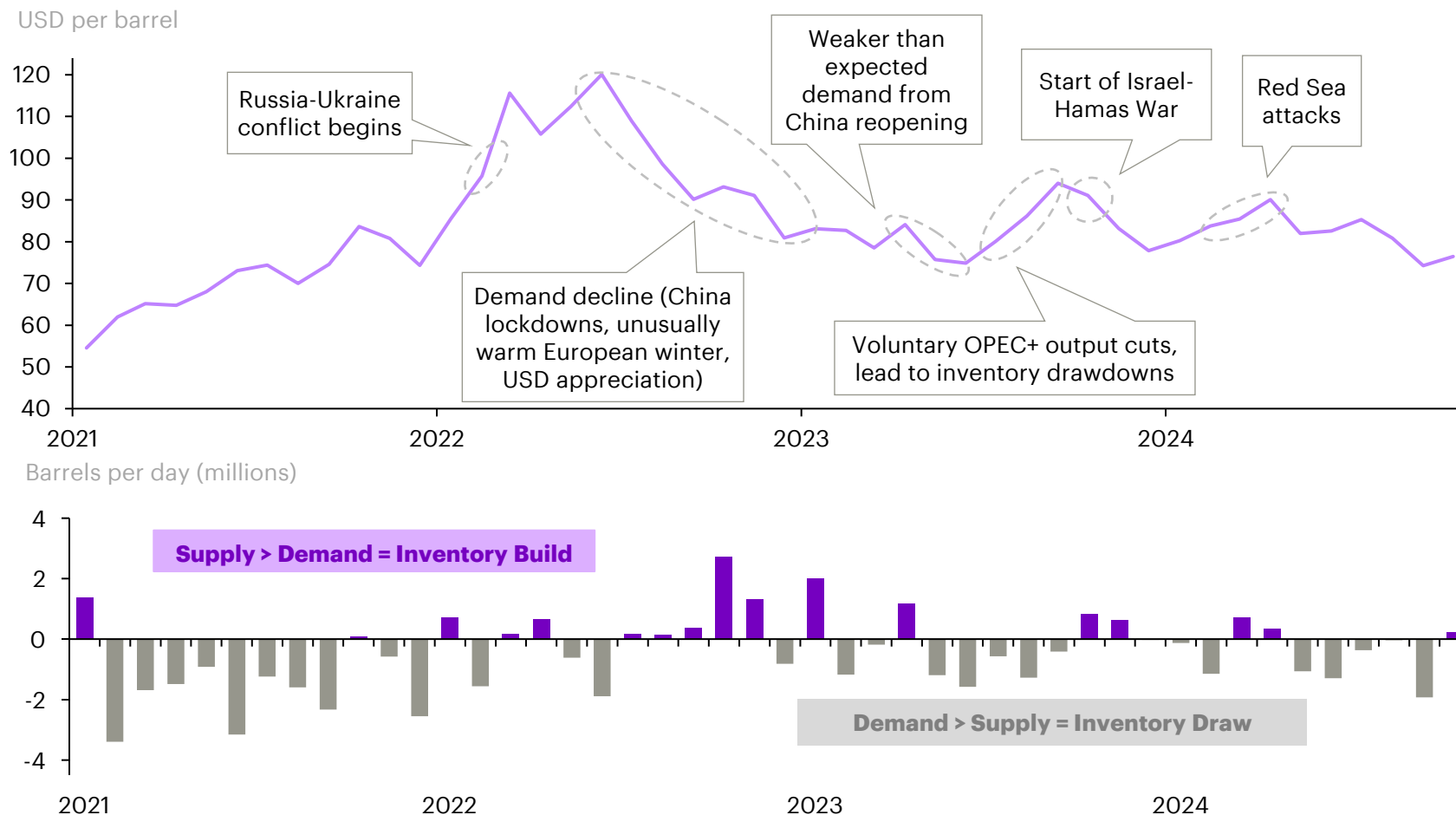
Energy and commodities



Oil prices have held relatively steady despite supply disruptions stemming from geopolitical tensions and hurricanes in the US, likely offset by weaker global demand

Crude oil prices and inventories

Brent crude oil spot prices (upper panel) and global inventory changes (lower panel)



Drivers of energy prices in 2024

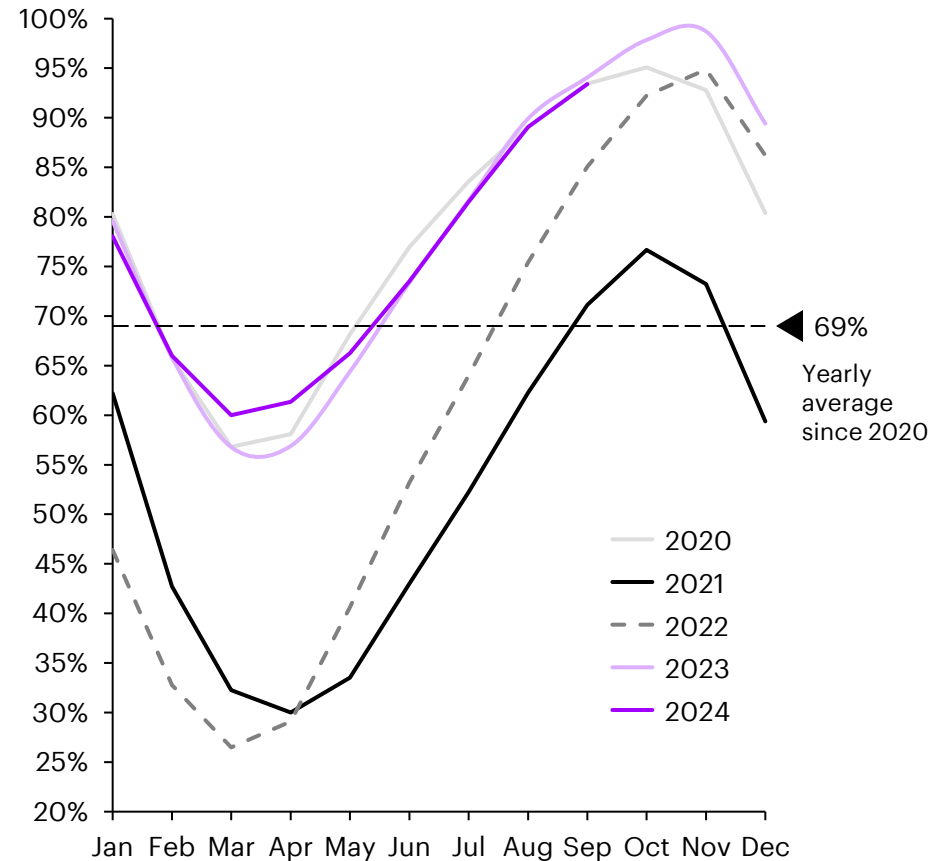
- Brent crude prices ticked up in early October but have settled back near September levels as global demand remains sluggish, driven by continued weakness across key markets
- Supply and demand fundamentals indicate ongoing downward price pressure, including:
 - Escalating Middle East tensions and potential disruptions to Iranian exports, coupled with hurricane impacts on the US Gulf Coast, contributing to supply constraints
 - Sluggish global consumption, particularly due to weakened demand from China, has helped ease demand-side pressures

Natural gas prices in October have declined marginally in Europe amid high reserves and weakness in industrial consumption

EU natural gas reserves and prices

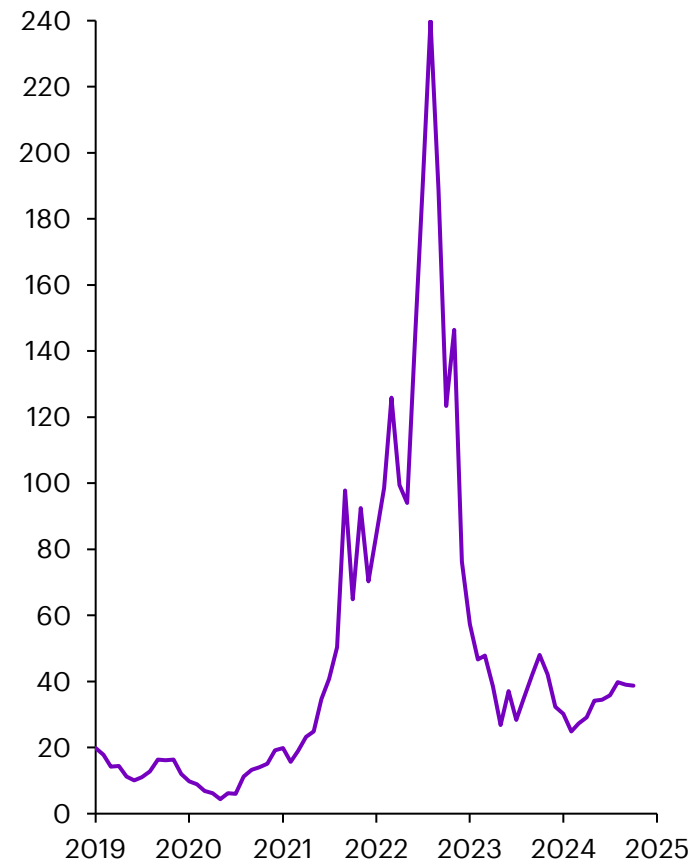
European gas reserves are relatively high at 93%...

% of storage capacity



As prices are falling due to high inventories

TTF Gas (EUR per megawatt-hour)



Commentary

- By the end of September, natural gas storage in Europe reached nearly 93%, though this remains lower than the level recorded at this same time in 2023
- Natural gas prices are showing a modest downward trend, aligned with a broader slowdown in global economic activity
- The LNG supply continues to exhibit tightness, due to:
 - Supply disruptions emerging from hurricanes in the United States
 - Potentials loss expectations from conflicts in Middle East and expiry of Russia-Ukraine piped-gas transit agreement

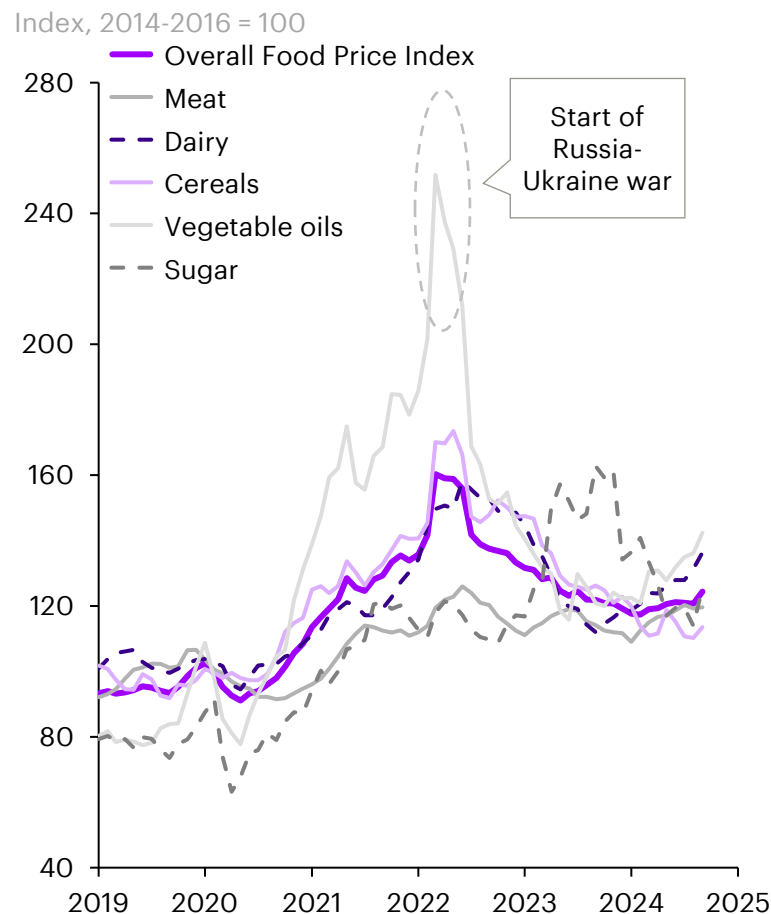
Notes: Dutch TTF Natural Gas Futures front-month contract. TTF stands for Title Transfer Facility, which is a virtual trading hub for natural gas in Europe. TTF prices represent the average monthly price of natural gas traded at this hub and are considered a benchmark for natural gas prices in Europe. The most recent TTF monthly data point reflects the average daily prices up to the publication date.

Sources: Gas Infrastructure Europe, Bloomberg, European Council, Reuters, Investing.com, Accenture Strategy analysis

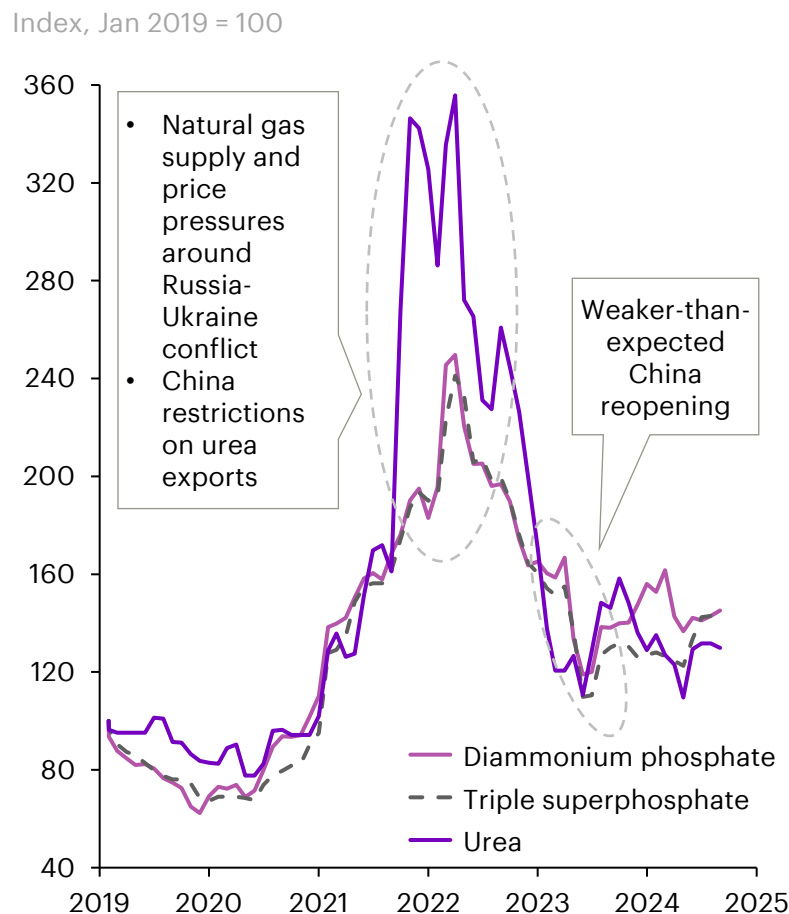
Global food prices have risen in recent months due to adverse weather and supply chain disruptions, with surging sugar prices being a key driver

Food and fertilizer prices

Food prices



Fertilizer prices



Commentary

- In September, food commodities saw the largest month-on-month increase (+3%) since March 2022 as price quotations of all commodities increased
- Sugar prices rose 10.4% from August, though they remain 22.7% lower than last year, amid concerns over worsening crop prospects in Brazil and India's potential reduction in sugar exports
- Cereal prices rose 3% from August, remaining 10.2% lower than September 2023 levels, stemming from adverse weather conditions in key exporting regions
- Fertilizer prices saw a substantial decline in September due to increased global supply and lower input production costs

Notes: (1) Food Price Index is a measure of the monthly change in international nominal prices of a basket of food commodities (2) Fertilizers include DAP (diammonium phosphate), TSP (triple superphosphate), and urea.
Sources: World Bank, UN FAO, USDA, Accenture Strategy analysis

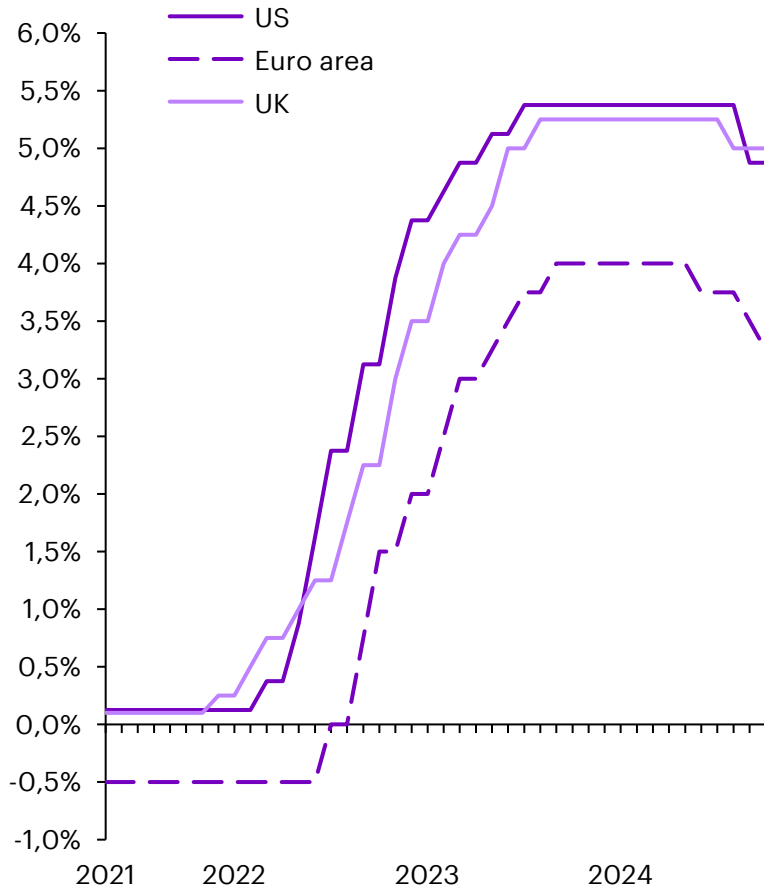
Financial markets



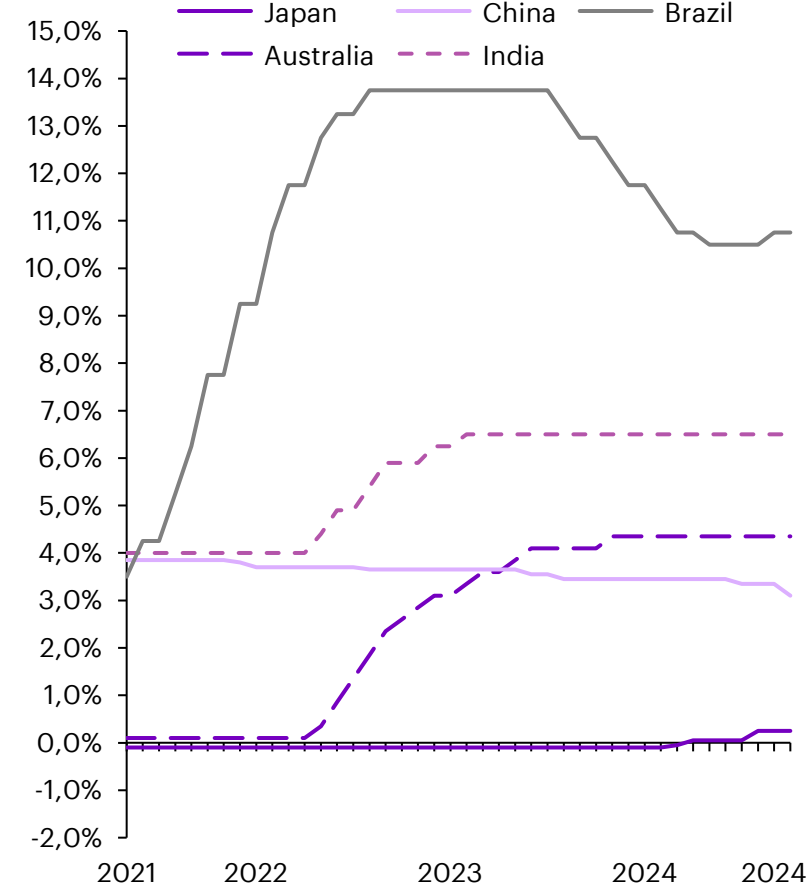
Brazil's renewed rate hikes presage challenges other central banks may encounter in pushing ahead with rate cuts amidst supply-driven volatility in food and energy prices

Monetary policy across major economies

US, UK and Euro area policy rates



Policy rates for other major economies



Commentary

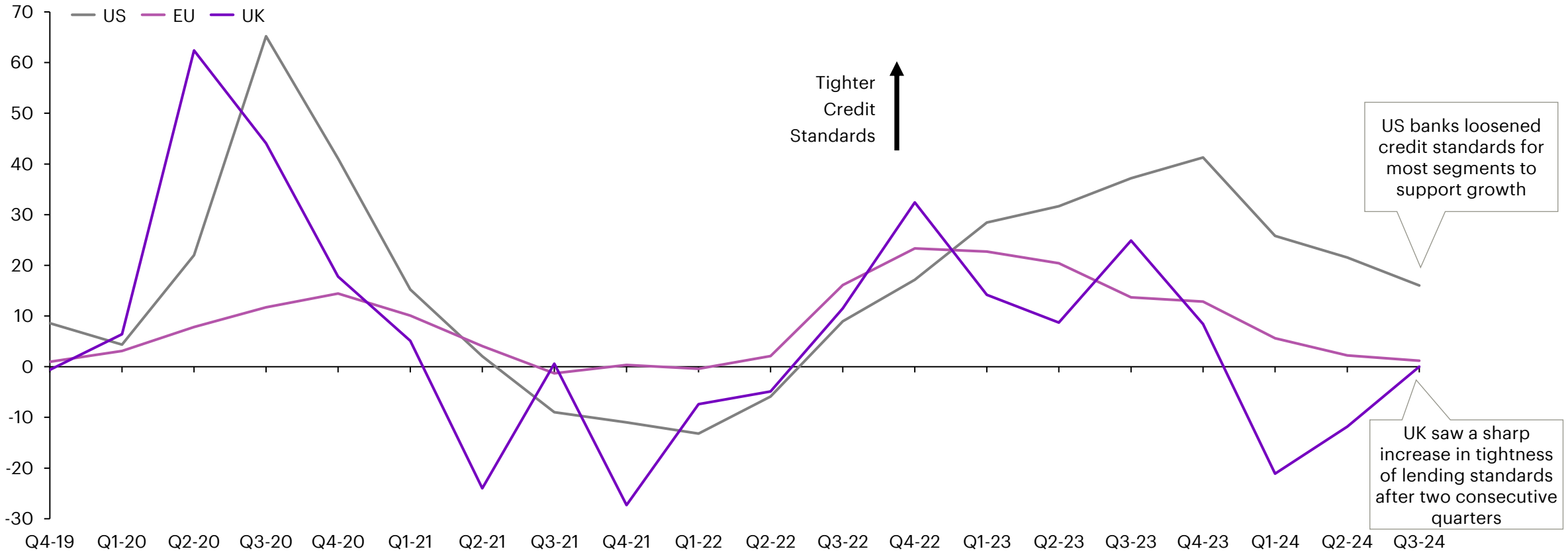
- The Federal Reserve lowered interest rates in September by a widely anticipated 50 basis points, bringing the target range to 4.75-5%.
- The ECB cut its interest rates by a further 25 basis points in October, as inflation continues to decline, and most European nations exhibit slow economic growth
- The Bank of England kept its policy rate unchanged at 5% in September as inflation stood at 2.2%, slightly above target of 2%
- The People's Bank of China reduced in October its benchmark interest rates by 25 basis points in an ongoing effort to stimulate the struggling Chinese economy
- The Bank of Japan maintained its benchmark interest rate at 0.25% in October, the highest level since 2008
- The Central Bank of Brazil raised rates by 25bp again in October as part of a renewed tightening cycle in response to resurgent inflation and rising inflation expectations

In Q3 2024, lending conditions in UK tightened for the first time in 2 quarters, while credit standards eased in the US and EU

Restrictiveness of banks' lending standards

Banks are adjusting their credit standards in tandem with monetary policy

Index of weighted net change in credit standards (tightening standards > 0)



Notes: The date of each datapoint refers to the quarter in which the bank lending survey was conducted but reports the assessment of credit conditions in the prior quarter. Lending standards for US and EU reflect a weighted index constructed using select survey questions to measure tightening or loosening standards to both households and enterprises. UK lending standards series based on inverted series of use of credit scoring
 Sources: Haver Analytics, EU Bank Lending Survey, BoE, Board of Governors of the Federal Reserve System, Accenture Strategy analysis

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